



KWADUKUZA MUNICIPALITY

UNAUDITED ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2013**

I am responsible for the preparation of these annual financial statements, which are set out on pages 2 to 73, in terms of Section 126(1) of the Municipal Finance Management Act No. 56 of 2003 and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

N J MDAKANE
MUNICIPAL MANAGER

Date

Annual Financial Statements

for

KWADUKUZA MUNICIPALITY

for the year ended 30

June 2013

Province:

KwaZulu Natal

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	MR N J MDAKANE
-----------------------------------	----------------

Name of Chief Financial Officer:	MR S M RAJCOOMAR
---	------------------

Contact telephone number:	(032) 4375500
---------------------------	---------------

Contact e-mail address:	<u>ShamirR@kwadukuza.gov.za</u>
-------------------------	---------------------------------

Name of contact at Provincial Treasury:	Keneue Mofoka
--	---------------

Contact telephone number:	033 - 897 4400
---------------------------	----------------

Contact e-mail address:	<u>Keneue.Mofoka@kzntreasury.gov.za</u>
-------------------------	---

Name of relevant Auditor:	The Auditor General
----------------------------------	---------------------

Contact telephone number:	033 - 264 7603
---------------------------	----------------

Contact e-mail address:	<u>sagier@agsa.co.za</u>
-------------------------	--------------------------

Name of contact at National Treasury:	Elsabe Rossouw
--	----------------

Contact telephone number:	012 - 315 5534
---------------------------	----------------

Contact e-mail address:	<u>Elsabe.Rossouw@treasury.gov.za</u>
-------------------------	---------------------------------------

KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information

Members of the Council

N R Mthembu
D Govender
T Khuluse
A M McDonnell
M S Sing
S P C Mdletshe
S Oudhram
J L T Sibiya
S S Gumede
J M Banda
M S Mhlongo
D W Ndimande
B B Sing
D Singh
C N Xulu
M E Zungu
C B Mwale
N P Dube
N Sewraj
E B Majola
L R Makhathini
T E Msweli
A M Baarman
T V Ntuli
S C M Motala
G N Mbonambi
N G Mthethwa
O L Nhaca
R N Pakkie
G J Van Whye
N M Hlatshwayo
C R Marsh
M W Mdluli
A L Sahadaw
J A Vallan
W M Luthuli
R Singh
S Anamalay
B Dlavana
A Gopaul
T K Gumede
T N Khumalo
E M Kolia
S P Luthuli
S L Magubane
S M R Mfeka
S D Mashiya
T E Msweli
G Z Mngomezulu
C Ndlovu
D M Ngcobo
T V Ntuli
S A Ngwane
I T Nxumalo
J S Phahla

[illegible]

KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2013

General information (continued)

Municipal Manager

Mr N J Mdakane

Chief Financial Officer

Mr S M Rajcoomar

Grading of Local Authority

Category 4

Auditors

Auditor-General South Africa (AGSA)

Bankers

First National Bank

Registered Office:

KwaDukuza Municipality

Physical address:

14 Chief Albert Luthuli Street
KwaDukuza
4450

Postal address:

PO BOX 72
KwaDukuza
4450

Telephone number:

(032) 437 5000

Fax number:

(032) 551 4274

E-mail address:

municipalM@kwadukuza.gov.za

**KWADUKUZA MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

INDEX	
DETAILS	Page Number
Report of the Auditor-General	1
Statement of Financial Position	2
Statement of Financial Performance	3
Statement of Changes in Net Assets	4
Cash Flow Statement	5
Statement of Comparison of Budget & Actual Amounts	6
Accounting Policies	7
Notes to the Annual Financial Statements	36
Appendix A: Schedule of External Loans	81
Appendix B: Analysis of Property, Plant and Equipment	82
Appendix C: Segmental Analysis of Property, Plant and Equipment	83
Appendix D: Segmental Statement of Financial Performance	84
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	85
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	86
Appendix F: Disclosure of Grants and Subsidies in terms of Section 123 of the Municipal Finance Management Act, 56 Of 2003	87

KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Note	2013 R	2012 R
ASSETS			
Non-current assets		890 607 182	822 578 709
Property, plant and equipment	10	810 982 231	746 995 995
Intangible assets	11	13 320 315	20 990 454
Investment properties	12	65 285 000	53 630 000
Heritage Assets	13	18 346	18 346
Long-term receivables	14	1 001 290	943 915
Current assets		620 463 233	492 702 990
Inventories	15	2 882 889	2 544 540
Receivables from exchange transactions	16	57 184 397	47 653 314
Receivables from non-exchange transactions	17	27 392 319	26 863 933
Value added taxation receivable	9	4 051 344	12 293 002
Current portion of long-term receivables	14	5 076	5 076
Call investment deposits	18	393 130 942	300 975 332
Bank balances and cash	19	135 816 267	102 367 793
Total Assets		1 511 070 414	1 315 281 699
LIABILITIES			
Non-current liabilities		177 061 397	145 386 965
Long-term liabilities	2	81 965 959	58 292 378
Non-current provisions	3	23 552 760	20 917 967
Retirement benefits	4.2	59 972 510	55 990 074
Long service awards and retirement gifts	4.3	11 350 971	9 623 976
Non-current lease liability	40	219 197	562 570
Current liabilities		252 255 008	220 343 755
Deposits	5	22 750 448	21 288 829
Current Portion of Provisions	6	7 131 829	6 465 030
Trade and other payables	7	153 054 798	154 239 199
Unspent conditional grants and receipts	8	58 129 820	28 506 814
Current portion of long-term liabilities	2	10 817 480	9 428 656
Current portion of lease liability	40	370 633	415 227
Total Liabilities		429 316 404	365 730 720
Net Assets		1 081 754 011	949 550 982
NET ASSETS			
Housing operating account	1	8 728 156	8 728 156
Revaluation Reserve		9 813 137	-
Accumulated surplus		1 063 212 719	940 822 826
Total Net Assets		1 081 754 011	949 550 982

KWADUKUZA MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R
CONTINUING OPERATIONS			
REVENUE			
Revenue from non-exchange transactions			
Property rates	20	236 380 463	219 939 596
Property rates - penalties imposed and collection charges		10 744 404	7 526 745
Fines		5 886 814	3 830 758
Government grants and subsidies	22	115 362 902	93 928 230
Licences and permits		8 578 335	7 655 052
Public donations - Property, plant and equipment	10	18 428 975	-
Revenue from exchange transactions			
Service charges	21	509 938 841	441 168 185
Rental of facilities and equipment		1 056 156	1 063 235
Interest earned investments		21 098 672	15 922 541
Interest earned outstanding debtors		2 729 431	2 534 866
Other income	28	40 992 210	44 188 595
Fair Value Adjustment of investment properties	12	1 445 000	-
Total Revenue		972 642 203	837 757 802
EXPENDITURE			
Employee related costs	23	201 103 328	171 959 546
Remuneration of councillors	24	15 130 157	14 021 010
Collection costs		4 366 191	3 424 576
Ammortisation	11	2 515 404	1 063 738
Depreciation	10	33 765 016	44 444 491
Repairs and maintenance		63 401 199	53 998 683
Finance costs	25	8 134 555	4 940 052
Bulk purchases	26	361 429 928	310 409 210
Retirement and long services benefits	4	5 709 431	15 070 959
General expenses	27.1	127 378 394	110 841 833
Contracted services	27.2	22 194 492	21 255 502
Transfer made: MIG funding paid to Ilembe District Municipality	27.3	17 600 678	-
Adjustments to allowance for impairment	16	(131 367)	2 028 719
Adjustments to non-current provisions	3	3 301 593	1 739 589
Bad debts written off	16	2 681 558	428 883
Fair Value Adjustment of investment properties	12	-	3 025 690
Loss on disposal of assets		4 520 511	2 003 908
Impairment loss on assets	10	5 705 346	-
Less: Recharges		(30 946 709)	(25 690 571)
Total Expenditure		847 859 705	734 965 818
SURPLUS FOR THE YEAR FROM CONTINUING OPERATIONS		124 782 499	102 791 984
DISCONTINUED OPERATIONS			
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	42	2 392 607	5 400 916
SURPLUS FOR THE YEAR		122 389 891	97 391 068

KWADUKUZA MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2013

	<u>Housing Operating Account</u> R	<u>Revaluation Reserve</u>	<u>Accumulated Surplus</u> R	<u>Total</u> R
Balance at 30 June 2010	8 728 157	-	785 330 324	794 058 481
2011				
Surplus for the year	-	-	57 862 209	57 862 209
Recognition of erstwhile Dolphin Coast TLC bank account		-	297 823	297 823
Adjustment to Rates Revenue prior to 2011/12 due to Valuation appeals		-	203 876	203 876
Labour court ruling on staff member		-	(262 470)	(262 470)
Restated balance at 30 June 2011	8 728 157	-	843 431 761	852 159 918
2012				
Restated surplus for the year (refer to note 36.6)	-	-	97 391 068	97 391 068
Restated balance at 30 June 2012	8 728 157	-	940 822 828	949 550 982
2013				
Surplus for the year			122 389 891	122 389 891
Revaluation Reserve		9 813 137		9 813 137
Balance at 30 June 2013	8 728 157	9 813 137	1 063 212 717	1 081 754 011

KWADUKUZA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 R	2012 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		957 232 481	795 676 937
Cash paid to suppliers and employees		789 779 164	643 234 091
Cash generated from operations	30	167 453 316	152 442 846
Interest received		21 098 672	15 922 541
Finance costs	25	(8 134 555)	(4 940 052)
NET CASH FLOWS FROM OPERATING ACTIVITIES		180 417 433	163 425 335
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(81 011 329)	(71 787 487)
Purchase of intangible assets		(10 570)	(4 665 077)
Transfer from property, plant and equipment to investment property		-	(500 000)
Decrease/(Increase) in non-current receivables		113 304	554 904
Decrease/(Increase) in non-current investments		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		(80 908 595)	(76 397 660)
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised		34 845 089	21 544 000
Loans repaid		(9 782 684)	(9 974 274)
Lease repayments		(428 779)	(313 635)
Increase in consumer deposits		1 461 619	1 634 490
NET CASH FLOWS FROM FINANCING ACTIVITIES		26 095 245	12 890 581
NET INCREASE IN CASH AND CASH EQUIVALENTS		125 604 084	99 918 256
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		403 343 125	303 424 869
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	528 947 208	403 343 125

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

1. BASIS OF PRESENTATION

1.

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in March 2009 and May 2010, respectively, as amended.

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2012 and 30 June 2013 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that the management has made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy [9.240.2](#) on *Revenue from Exchange Transactions* and Accounting Policy [9.340.3](#) on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GRAP 23: *Revenue from Non-exchange Transactions*. In particular when services are rendered, whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgement by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 6.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: *Financial Instruments*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 3.3 and 4, the municipality depreciates/amortises its property, plant and equipment, and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of PPE and Inventories

Significant estimates and judgments are made relating to PPE impairment tests and write down of inventories to net realisable values.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 13.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19 *Employee Benefits*. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 4 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note [1243](#).

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 New standards and interpretations

1.6.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when a municipality receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As a municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised and recognise an amount equal to that reduction as revenue.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The impact of the standard may have a material impact on the municipality's financial statements as it relates to Unspent Conditional Grants and Receipts. Refer note 8

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, a municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- ☐ the approved and final budget amounts;
- ☐ the actual amounts on a comparable basis; and
- ☐ by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where a municipality prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- ☐ are prepared using the same basis of accounting i.e. either cash or accrual;
- ☐ include the same activities and entities;
- ☐ use the same classification system; and
- ☐ are prepared for the same period.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements, but results in more disclosure in the financial statements.

GRAP 21: Impairment of Non-cash-generating Assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

A municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable service amount of the asset.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- ☐ depreciated replacement cost approach;
- ☐ restoration cost approach; or
- ☐ service units approach.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, a municipality estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

GRAP 26: Impairment of Cash-generating Assets

Cash-generating assets are those assets held by a municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

A municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, a municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, a municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and a municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, a municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- ☐ ~~the~~ the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- ☐ ~~the~~ the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, a municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

GRAP 103: Heritage Assets

GRAP 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset should be recognised as an asset only if:

- ☐ it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- ☐ the cost of fair value of the asset can be measured reliably.

The Standard of GRAP requires judgment in applying the initial recognition criteria to the specific circumstances surrounding the municipality and the assets.

GRAP 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the Standard of GRAP, a municipality has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The Standard of GRAP also states that a restriction on the disposal of a heritage asset does not preclude the municipality from determining the fair value.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

GRAP 103 states that a heritage asset should not be depreciated but a municipality should assess at each reporting date whether there is an indication that it may be impaired.

The carrying amount of a heritage asset should be derecognised:

- ☐ on disposal, or
- ☐ when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have material impact on the municipality's financial statements.

The municipality further adopted the transitional provisions as set out in Directive 3 in respect of Heritage assets, regarding measurement and related presentation and disclosure.

GRAP 104: Financial Instruments

The Standard of GRAP prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, a municipality considers the substance of the contract and not just the legal form.

Financial assets and financial liabilities are initially recognised at fair value. Where a municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. A municipality measures a financial instrument at fair value if it is:

- ☐ a derivative;
- ☐ a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- ☐ held-for-trading;
- ☐ a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- ☐ an investment in a residual interest for which fair value can be measured reliably; and

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

- ☐ other instruments that do not meet the definition of financial instruments at amortised cost or cost.
- ☐ Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, a municipality can however designate such an instrument to be measured at fair value.

A municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once a municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

A municipality derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- ☐ the cash flows from the asset expire, are settled or waived;
- ☐ significant risks and rewards are transferred to another party; or
- ☐ despite having retained significant risks and rewards, a municipality has transferred control of the asset to another municipality.

A municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where a municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

A municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for a municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that a municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality has adopted the standard for the first time in the 2013 financial statements.

The standard does not have a material impact on the municipality's financial statements.

1.6.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 25: Employee Benefits

The objective of GRAP 25 is to prescribe the accounting and disclosure for employee benefits. The Standard of GRAP requires a municipality to recognise:

- ☐ a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- ☐ an expense when a municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

The Standard of GRAP states the recognition, measurement and disclosure requirements of:

- short-term employee benefits;

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

- all short-term employee benefits;
- short-term compensated absences;
- bonus, incentive and performance related payments;
- post-employment benefits;
- other long-term employee benefits; and
- termination benefits.

The major difference between this Standard of GRAP and IAS 19 is with regards to the treatment of actuarial gains and losses and past service costs. This Standard of GRAP requires a municipality to recognise all actuarial gains and losses and past service costs immediately in the statement of financial performance once occurred.

The effective date of the standard is for years beginning on or after 01 April 201~~2~~³.

The municipality expects to adopt the standard for the first time in the 201~~4~~³ financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 27: Agriculture

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the IPSASB that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

GRAP 31: Intangible Assets

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has early adopted the standard for the first time in the 2012 financial statements.

There is no impact of the standard on adoption.

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer and transferor in a transfer of functions between municipalities under common control.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

A transfer of functions between municipalities under common control is a reorganisation and/or reallocation of functions between municipalities that are ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between municipalities under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this Standard of GRAP is to establish accounting principles for the acquirer in a transfer of functions between municipalities not under common control.

A transfer of functions between municipalities not under common control is a reorganisation and/or reallocation of functions between municipalities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between municipalities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition-date fair values and should be derecognised (by the acquiree) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed or carrying amounts of assets transferred and liabilities relinquished should be recognised in surplus / (deficit).

For transfer of functions between municipalities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between municipalities not under common control.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

The objective of this Standard of GRAP is to establish accounting principles for the combined municipality and combining municipalities in a merger.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

A merger is where a new combined municipality is started, no acquirer can be identified and the combining municipalities do not have any control over the municipality.

In the event of a merger, the assets and liabilities should be recognised (by the combined municipality) at their carrying amounts and should be derecognised (by the combining municipalities) at their carrying amounts.

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The impact of this standard is currently being assessed.

GRAP 20: Related Party Disclosures

The objective of this Standard of GRAP is to ensure that a municipality's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

This Standard of GRAP requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the municipality in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard of GRAP also applies to individual financial statements.

This Standard of GRAP requires that only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another municipality, entity or person are disclosed.

The Standard of GRAP sets out the requirements, inter alia, for the disclosure of:

- ☐ control;
- ☐ related party transactions; and
- ☐ remuneration of management

No effective date has yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

For the year under review, Council has applied IPSAS 20.

IGRAP 16: Intangible Assets - Website Costs

The Interpretation deals with the treatment of a municipality's own website. The guidance on website costs was previously included in the Standard of GRAP on Intangible Assets.

It concludes that a municipality's own website that arises from development and is for internal or external access is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets.

A website arising from development will be recognised as an intangible asset if, and only if, in addition to complying with the general requirements described in the Standard of GRAP on Intangible Assets for recognition and initial measurement, a municipality can satisfy the requirements in paragraph .54 in the Standard of GRAP on Intangible Assets, which in particular requires a municipality to be able to demonstrate how its website will generate probable future economic benefits or service potential.

If a municipality is not able to demonstrate how a website developed solely or primarily for providing information about its own products and services will generate probable future economic benefits or service potential, all expenditure on developing such a website will be recognised as an expense when incurred.

A website that is recognised as an intangible asset under this Interpretation will be measured after initial recognition by applying the requirements in the Standard of GRAP on Intangible Assets.

The effective date of the interpretation is for years beginning on or after 01 April 2013.

The municipality expects to adopt the interpretation for the first time in the 2014 financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's financial statements.

Improvements to Standards of GRAP

The following Standards of GRAP have been amended as part of the ASB's Improvements Project for 2011:

- ☐ GRAP 1;
- ☐ GRAP 3;
- ☐ GRAP 7;
- ☐ GRAP 9;
- ☐ GRAP 12;
- ☐ GRAP 13;
- ☐ GRAP 16; and
- ☐ GRAP 17.

The changes made will have no significant impact, except for the following:

A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

A requirement to include transaction costs on initial recognition of an investment in an associate under the equity method, has been included in the Standard of GRAP Investments in Associates.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the assessment of significant use of an investment property has been clarified.

Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

1.6.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

No effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

2. HOUSING OPERATING ACCOUNT

2.

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to the Housing Operating Account. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Operating Account.

In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Operating Account. Monies standing to the credit of the Housing Operating Account can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. PROPERTY, PLANT AND EQUIPMENT

3.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

3.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

3.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite life. Depreciation of assets other than land is calculated, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

<u>Details</u>	<u>Years</u>
Infrastructure	
Roads	10 – 120
Electricity	5 – 100
Storm Water	10 – 50
Solid Waste Disposal	10 – 50
Community	
Community and Recreation Facilities	5 – 50
Other Assets	2 – 50
Vehicles	3 – 5
Furniture and Fittings	2 – 5

The assets' residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

3.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

3.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

3.6 Heritage Assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to uncertainty regarding their estimated useful lives.^[CB1]

(GRAP 1.76 (d))

Directive 3 allows for transitional provisions in respect of heritage assets, with specific mention of the following:

If the initial accounting for heritage assets is incomplete by the end of a reporting period in which the Standard becomes effective or the transfer occurs, whichever is later, the entity shall report in its financial statements provisional amounts for those heritage assets for which the accounting is incomplete.

During the measurement period, the entity shall retrospectively adjust the provisional amounts recognised to reflect information obtained about facts and circumstances that existed on the effective date of the Standard in accordance with paragraph .121 or the transfer date in accordance with paragraph .122, and, if known, would have affected the measurement of the amounts recognised as of that date.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

During the measurement period, the entity shall also recognise additional heritage assets if information is obtained about the existence of those heritage assets at the effective date of the Standard or the transfer date, whichever is applicable, and, if it had been known, would have resulted in the recognition of those heritage assets at that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed at the effective date of the Standard or the transfer date, whichever is applicable, or learns that no more information is obtainable. However, the measurement period shall not exceed the later of three years from the effective date of the Standard or the transfer date.

This measurement period expires at 30 June 2015 on which date the Standard needs to be fully complied with.

The exemption from applying the measurement requirements of the Standard of GRAP on Heritage Assets implies that any associated presentation and disclosure requirements need not be complied with for heritage assets not measured in the accordance with the requirements of the Standard of GRAP on Heritage Assets.

3.7 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

3.8 Derecognition of Property, Plant and Equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit for the year when the item is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds.

3.9 Impairment of Assets

3.9.1 Cash - generating Assets

Identification:

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Discount rate

The discount rate is a rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

3.9.2 Impairment of Non-cash Generating Assets

3.9.2

Identification

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset no impairment recognised.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach:

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit for the year.

4. INTANGIBLE ASSETS

4.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Intangible assets are initially recognised at cost. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The municipality does not recognise electricity servitudes arising from a legal right as intangible assets.

4.2 Subsequent Measurement, Amortisation and Impairment

Subsequently all intangible assets are measured at cost, less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes (excluding electricity servitudes) obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in surplus or deficit for the year.

4.3 Derecognition of Intangible Assets

The carrying amount of an intangible asset is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated amortisation and accumulated impairment losses) and the sales proceeds. This is included in surplus or deficit for the year as a gain or loss on disposal of intangible assets.

5. INVESTMENT PROPERTY

5.1

Initial Recognition

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction or at a nominal value its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Based on management's judgement, the following criteria have been applied to distinguish investment properties from owner occupied property or property held for resale:

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties;
- Land held for a currently undetermined future use. (If the municipality has not determined that it will use the land as owner-occupied property or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- Property that is being constructed or developed for future use as investment property;
- A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases; and
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties.

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-Current Assets Held for Sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, e.g. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

5.2 Subsequent Measurement - Fair Value Model

Investment property is measured using the fair value model. Investment property is carried at fair value, representing open market value determined annually by external valuers at the reporting date. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. A gain or loss arising from a change in the fair value of investment property is included in surplus or deficit for the year.

The carrying amount of an investment property is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition of an investment property is included in surplus or deficit for the year when the asset is derecognised.

Gains or losses are calculated as the difference between the net book value of assets (fair value) and the sales proceeds.

6. FINANCIAL INSTRUMENTS

6.

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

6.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Long-term Receivables
- Consumer Debtors
- Certain Other Debtors
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with GRAP 104, the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard:

Type of Financial Asset	Classification in terms of GRAP 104
Short-term Investment Deposits – Call	Financial assets at amortised cost
Bank Balances and Cash	Financial assets at amortised cost
Long-term Receivables	Financial assets at amortised cost
Consumer Debtors	Financial assets at amortised cost
Other Debtors	Financial assets at amortised cost
Investments in Fixed Deposits	Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

6.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Certain Other Creditors
- Bank Overdraft
- Short-term Loans
- Current Portion of Long-term Liabilities
- Consumer Deposits

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

In accordance with IAS 39.09, the *Financial Liabilities* of the municipality are classified into the following category as allowed by this standard

- Financial liabilities at amortised cost.

-

Financial liabilities at amortised cost are initially measured at fair value, net of transaction costs. These are subsequently measured at amortised cost using the Effective interest method, with interest expense recognised on an effective yield basis.

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial assets at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with revenue recognised on an effective yield basis.

Financial assets are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

6.3.2 Financial Liabilities:

Financial Liabilities at amortised cost are initially measured at fair value net of transaction costs. Subsequently, these liabilities are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis..

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

6.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at reporting date. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

Initially Accounts Receivable are valued at fair value and subsequently carried at amortised cost using the effective interest rate method. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The provision is made whereby the recoverability of Consumer Debtors is assessed individually or collectively after grouping the assets in financial assets with similar credit risk characteristics if individual assessment was not possible.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets and recognised in surplus or deficit for the year with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in surplus or deficit for the year.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through surplus or deficit for the year to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

7. ~~RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES~~

~~It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.~~

~~Risks and exposure are disclosed as follows:~~

7.1 ~~Credit Risk~~

- ~~Each class of financial assets is disclosed separately.~~
- ~~Maximum exposure to credit risk not covered by collateral is specified.~~
- ~~Financial assets covered by collateral are specified.~~

7.2 ~~Liquidity Risk~~

~~Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.~~

~~Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.~~

- ~~A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.~~

7.3 ~~Interest Risk~~

~~Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.~~

- ~~Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.~~
- ~~Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.~~

~~Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.~~

7.4 ~~Market Risk~~

~~Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.~~^(CB2)

7. ~~INVENTORIES~~

8.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Inventories comprising consumable stores, raw materials and finishing goods are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value, determined on the weighted average cost.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge

Unsold properties represent unsold units in economic selling schemes where the net realisable value of each unit is either nil or a nominal amount. As a consequence of the passage of time the municipality is not in a position to determine the cost of such inventory. Furthermore, the use of current replacement cost would not only distort the statement of financial position by inflating the value of inventories but would also result in a credit to the housing operating account contrary to section 14 of the Housing Act, 1998. Accordingly unsold properties are stated in the annual financial statements at net realisable value.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

8. NON-CURRENT ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

9. Non-current assets held for sale

8.1

9.1-18.2 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

9.1-28.3 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

9-28.4 Discontinued operations

A discontinued operation is a component of the municipality that either has been disposed of or is classified as held for sale and:

- (a) represents a distinguishable activity, group of activities or geographical area of operations;
- (b) is part of a single co-ordinated

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or

(c) is a controlled entity acquired exclusively with a view to resale.

Discontinued operations are presented separately from continuing operations in the annual financial statements.

9. REVENUE RECOGNITION

~~10.~~

~~10.19.1~~ General

Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue comprises the fair value of the consideration received or receivable for the sale or rendering of services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

~~10.29.2~~ Revenue from Exchange Transactions

~~10.2.19.2.1~~ Service Charges

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

10.2.29.2.2 Pre-paid Electricity

Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards made in the last month of the financial year is recognised based on an estimate of the prepaid electricity consumed as at the reporting date with reference to the consumption patterns of the individual users.

10.2.39.2.3 Finance income

Interest earned on investments is recognised in surplus or deficit for the year on the time proportionate basis that takes into account the effective yield on the investment.

10.2.49.2.4 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

10.2.59.2.5 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

10.39.3 Revenue from Non-exchange Transactions

10.3.19.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

10.3.29.3.2 Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

10.3.39.3.3 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

10.3.49.3.4 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

10. GOVERNMENT GRANTS AND RECEIPTS

11.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

purpose of giving immediate financial support to the municipality with no future related costs, are recognised as Accounts Receivable in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability and if it is the municipality's interest it is recognised as interest earned in surplus or deficit for the year.

11. PROVISIONS

12.

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

12. EMPLOYEE BENEFITS

13.

13.1 Short-term Employee Benefits

Remuneration to employees is recognised in surplus or deficit for the year as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as an accrual in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

13.2 Past service costs

Past service costs are recognised immediately in surplus or deficit, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

13.3 Defined Contribution Plans

A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in surplus or deficit for the year in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The municipality has no further payment obligations once the contributions have been paid.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

13.4.12.4 Defined Benefit Plans [CB3]

A **defined benefit plan** is a post-employment benefit plan other than a defined contribution plan.

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

~~Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.~~

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged to surplus or deficit for the year in which they arise.

13.4.12.4.1 Pension obligations

The municipality and its employees contribute to ~~four~~ 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KZN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds. [CB4]

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes."

13.4.212.4.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

13.4.312.4.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for in surplus or deficit for the year.

Actuarial gains or losses are accounted for in full and are recognised in surplus or deficit for the year.

13. LEASES

~~14.~~ 13.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to Property, plant, equipment or Intangible Assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in surplus or deficit for the year on a straight-line basis over the term of the relevant lease.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

~~14.2~~ 13.2 The Municipality as Lessor

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

14. BORROWING COSTS

~~15.~~ The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset are recognised as an expense in surplus or deficit for the year.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

15. VALUE ADDED TAX

~~16.~~

The Municipality accounts for Value Added Tax on the payments basis.

16. CASH AND CASH EQUIVALENTS

~~17.~~

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

17. UNAUTHORISED EXPENDITURE

~~18.~~

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

18. IRREGULAR EXPENDITURE

~~19.~~

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

19. FRUITLESS AND WASTEFUL EXPENDITURE

~~20.~~

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

20. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

~~21.~~

Changes in accounting policies due to adoption of newly effective Standards of GRAP have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy or where allowed transitional provisions had been adopted. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

KWADUKUZA MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2013

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

21. RELATED PARTIES

22.

Individuals, including councilors, as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

22. EVENTS AFTER THE REPORTING DATE

23.

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

23. COMPARATIVE INFORMATION

24.

24.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

25.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

25. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

26.

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

KWADUKUZA MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2013

Description	2012/13							
R (000) thousands	Original Budget (000)	Budget Adjustments (000)	Final Budget (000)	Actual outcome (000)	Variance (1) between Original and Final Budget (000)	Note on variances (1)	Variance (2) between Final Budget and Actual outcome (000)	Note on variances (2)
Financial Performance								
Property rates (Including Penalties and Collection Charges)	240,199	4,300	244,499	247,125	4,300	38.1	2,625	38.12
Services charges	528,853	2,749	531,602	509,939	2,749	38.2	(21,663)	38.13
Investment revenue	16,649	(4,970)	11,679	21,099	(4,970)	38.3	9,419	38.14
Transfers recognised - operational	97,470	(2,008)	95,462	94,778	(2,008)	38.4	(684)	38.15
Other own revenue	49,214	4,479	53,694	79,117	4,479	38.5	25,423	38.16
Total Revenue (excluding capital transfers and contributions)	932,386	4,550	936,937	952,058	4,550		15,121	
Employee Related Costs	220,344	(687)	219,657	201,103	(687)	38.6	(18,554)	38.17
Remuneration of Councillors	16,084	-	16,084	15,130	-		(954)	
Allowance for impairment	15,708	(5,708)	10,000	(131)	(5,708)	38.7	(10,131)	38.18
Depreciation and asset impairment	49,193	8,597	57,791	36,280	8,597	38.8	(21,510)	38.19
Finance charges	14,791	(3,700)	11,091	8,135	(3,700)	38.9	(2,957)	38.20
Bulk Purchases	362,712	-	362,712	361,430	-		(1,283)	
Other Expenditure	253,514	6,064	259,578	225,913	6,064	38.10	(33,665)	38.21
							-	
Total Expenditure	932,346	4,567	936,913	847,860	4,567		(89,053)	
Loss on Discontinued Operations	-	-	-	2,393	-	-	-	-
Surplus	40	(16)	23	101,805	(16)		(73,932)	
Transfers recognised - capital	91,874	(30,744)	61,130	20,584	(30,744)	38.11	(40,546)	38.22
Contributions recognised - capital and contributed assets	-	-	-	-	-		-	
Surplus after capital transfers & contributions	91,914	(30,760)	61,154	122,390	(30,760)		61,236	
Capital Expenditure & funds sources								
Capital Expenditure								
Transfers recognised - capital	91,874	(30,744)	61,130	20,584	(30,744)	38.23		38.26
Public Contributions and Donations	-	-	-	-	-			
Borrowing	193,566	(81,348)	112,219	19,799	(81,348)	38.24		38.27
Internally generated funds	158,976	(17,499)	141,477	40,783	(17,499)	38.25		38.28
					-			
Total Sources of capital funds	444,416	(129,591)	314,826	81,166				

Cash Flows

Net cash from (used) operating	141,216	(15,589)	125,628	180,417	(15,589)			
Net cash from (used) investing	(443,916)	413,191	(30,725)	(80,909)	413,191			
Net cash from (used) financing	171,270	(141,544)	29,726	26,095	(141,544)			
					-			
Cash/cash equivalents at the year end	106,309	421,358	527,667	125,604	421,358			

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
1. HOUSING OPERATING ACCOUNT		
Housing Operating Account	8 728 156	8 728 156
The Housing Operating Account is represented by the following assets and liabilities:		
Fixed Assets	3 374 706	3 521 316
Housing Inventory	334 132	337 364
Debtors	1 238 304	199 363
Debtors: Department of Housing	172 134	39 925
Cash and cash equivalents	3 633 584	4 691 210
Prepaid debtors	(24 704)	(61 021)
Total Housing Operating Account Assets and Liabilities	8 728 156	8 728 156
2. LONG-TERM LIABILITIES		
Non Annuity Loans	88 029 268	62 166 370
Annuity Loans	4 754 170	5 554 664
Sub-total	92 783 439	67 721 034
Less: Current portion transferred to current liabilities	10 817 480	9 428 656
Non Annuity Loans	9 891 103	8 628 163
Annuity Loans	926 376	800 493
Total External Loans	81 965 959	58 292 378
Refer to Appendix A for more detail on long-term liabilities.		
Non Annuity Loans - Bank Loans		
Bear interest at 8.57% and is redeemed in bi-annual installments, including interest, over varying periods until 2025.		
Non Annuity Loans - Security Investments		
Bear interest at rates between 8.23% and 11.73% and are being redeemed in bi-annual and monthly instalments, including interest, over varying periods until 2020.		
Annuity loans		
Bear interest at rates between 12% and 16.5% per annum, are being redeemed in quarterly installments, including interest, over varying periods until 2017.		
3. NON-CURRENT PROVISIONS		
Provision for the eradication of alien vegetation	21 273 003	18 228 458
Provision for the rehabilitation of the landfill site	9 411 587	9 154 539
Sub-total	30 684 589	27 382 997
Less: Current portion transferred to current liabilities (refer to Note 6)	7 131 829	6 465 030
Provision for the eradication of alien vegetation	4 467 041	3 899 335
Provision for the rehabilitation of the landfill site	2 664 788	2 565 695
Total Non-Current Provisions	23 552 760	20 917 967

2013
R

2012
R

3 NON-CURRENT PROVISIONS (continued)

The movement in non-current provisions are reconciled as follows:

Eradication of alien vegetation

Balance at beginning of year	18 228 458	16 626 660
Contributions / (Reduction) to provision	3 044 545	1 601 798
Increase due to discounting	-	-
Expenditure incurred	-	-
Balance at end of year	21 273 003	18 228 458

The provision created is for cost of eradication of alien vegetation in respect of the municipality's obligation to clear all municipal land of invasive alien plants and to enforce private property owners to do the same. This study was conducted by Ecological and Environmental Services.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2013/2014 operating budget over a period of ten (10) years.

The provision reflects a total of R21 273 003 expenditure discounted net of a rate of 8.5% pa. (2012 - 10%)

Landfill site rehabilitation

Balance at beginning of year	9 154 539	9 016 748
Contributions to provision	257 048	137 791
Reduction due to remeasurement	-	-
Increase due to discounting	-	-
Expenditure incurred	-	-
Balance at end of year	9 411 587	9 154 539

The provision created for the rehabilitation of the landfill site is based on a professional study conducted by Ecological and Environmental Services of the rehabilitation costs of the Shakaville dumpsite.

The provision is calculated in line with the medium term revenue and expenditure framework of the Council. Council intends commencing spending against this provision in accordance with the 2013/2014 operating budget over a period of two (2) years.

The provision reflects a total of R9 411 587 expenditure discounted net of a rate of 8.5% pa (2012:- 10%)

4. RETIREMENT BENEFITS

4.1 Pension benefits

The Municipality's personnel are members of one of the Natal Joint Municipal Pension retirement funds, namely the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements.

Superannuation

The interim valuation carried out on the Superannuation Fund as at 31 March 2011 reflected:

The memorandum account in respect of pensioners was fully funded. The required contribution rate for active members exceeded the contribution rate payable by 3.36% of pensionable salaries thus necessitating a contribution increase from 18% to 21.63% of pensionable salaries to fund the shortfall in contributions. The deficit in the fund, as at 31 March 2011, in respect of active members, amounted to R549.5m (discounted cashflow method). This deficit has increased since the last valuation date and has thus necessitated an increase in the surcharge from 7% to 9.5% for a period of 8 years from July 2012.

The interim valuation carried out on the Superannuation Fund as at 31 March 2012 reflected:

The memorandum account in respect of pensioners was fully funded. The required contribution rate for active members exceeded the contribution rate payable by 0.22% of pensionable salaries. It is recommended that local authorities continue to pay the current contribution rate of 21.63% of pensionable salaries. The deficit in the fund, as at 31 March 2012, in respect of active members, amounted to R270.0m (discounted cashflow method). This deficit has decreased since the last valuation date. In terms of the scheme, a surcharge of 9.5% of pensionable salaries is payable for a period of 8 years with effect from 1 July 2012.

Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2009 and the interim valuation as at 31 March 2010 revealed that the fund was in a sound financial position.

Retirement Fund

The interim valuation carried out on the Retirement Fund as at 31 March 2010 reflected:

The memorandum account in respect of pensioners was fully funded on the discounted cash flow method. The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.

The latest statutory valuation of the Retirement Fund (defined benefit) as at 31 March 2012 reflected:

The memorandum account in respect of pensioners was fully funded on the discounted cash flow method. The Funds assets for the contributory members exceeded the value of the liabilities and reserves. The fund was in a sound financial condition as at 31 March 2012

4.2 Post-employment medical benefits

The municipality operates on 5 accredited medical aid schemes, namely Bonitas, KeyHealth, LA Health, Samumed and HosMed.

Pensioners continue on the option they belonged to on the day of their retirement. The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

The principal actuarial assumptions used were as follows:

Discount rate per annum	8.77%	8.00%
Health care cost inflation rate	7.61%	6.83%
Net effective discount rate	1.08%	1.09%
Benchmark inflation (equal to salary inflation)	0%	0%
Average retirement age	63	63
Proportion continuing membership at retirement	90%	90%
Proportion of retiring members who are married	90%	90%
Mortality during employment	SA 85-90	SA 85-90
Mortality post-retirement	PA90-1 ultimate	PA90-1 ultimate
(No explicit assumption was made about additional mortality or health care costs due to AIDS).		

Percentage of in-service members withdrawing before retirement:	Females	Males	Females	Males
Age 20	24%	16%	24%	16%
Age 30	15%	10%	15%	10%
Age 40	6%	6%	6%	6%
Age 50	2%	2%	2%	2%
Age 55+	0%	0%	0%	0%

The amounts recognised in the Statement of Financial Position were determined as being the present value of the obligation:

59 972 510

55 990 074

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year	55 990 074	42 765 503
Current service cost	2 404 918	1 791 749
Interest cost	4 415 678	3 701 011
Benefit payments	(1 556 736)	(1 082 436)
Actuarial (gains)/losses	(1 281 424)	8 814 247
Balance at end of year	59,972,510	55,990,074

The amounts recognised in the Statement of Financial Performance were as follows:

CONTINUED OPERATIONS

Current service cost	2 404 918	1 695 458
Interest cost	4 415 678	3 642 650
Benefit payments	(1 556 736)	(1 082 436)
Actuarial (gains)/losses	(1 281 424)	9 094 147
TOTAL: CONTINUED SERVICES	3 982 436	13 349 819

DISCONTINUED OPERATIONS

Provincial Health Services - Clinics	-	(125 248)
TOTAL	3 982 436	13 224 571

2013
R

2012
R

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

SENSITIVITY RESULTS

The liability at the Valuation date was recalculated to show the effect of:

(i) A 1% increase and decrease in the assumed rate of health care cost
(ii) A one-year age reduction in the assumed rates of post-retirement mortality;

(iii) A one-year decrease in the assumed average retirement age; and
(iv) A 50% reduction in the assumed withdrawal rates

Table 1 summarises the results of the sensitivity analysis and are disclosed in (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		31.401	28.571	59.973	
Health care inflation	1%	36.569	32.314	68.882	15%
	-1%	26.922	25.421	52.343	-13%
Post-retirement mortality	-1 yr	32.461	29.556	62.017	3%
Average retirement age	-1 yr	32.661	28.571	61.232	2%
Withdrawal Rate	-50%	36.115	28.571	64.686	8%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

greater than the long-term assumption made, the liability will be 19%

Table 2 summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2013.

Table 2: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30 June 2013

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		2,404,900	4,415,700	6,820,600	
Health care inflation	+1%	3,076,400	5,267,500	8,343,900	22%
	-1%	1,899,600	3,739,500	5,639,100	-17%
Post-retirement mortality	-1 yr	2,484,900	4,565,900	7,050,800	3%
Average retirement age	-1 yr	2,536,600	4,508,100	7,044,700	3%
Withdrawal Rate	-50%	2,968,000	4,768,500	7,736,500	13%

2013
R

2012
R

Table 3 summarizes the results of this analysis on the Current Service and Interest Costs for the year ending 30 June 2014

Table 3 Sensitivity Analysis on the Current-Service and Interest Costs for the year ending 30 June 2014

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		2,373,600	5,188,800	7,562,400	
Health care inflation	+1%	2,777,300	5,970,600	8,747,900	16%
	-1%	2,006,400	4,519,400	6,525,800	-14%
Post-retirement mortality	-1 yr	2,451,800	5,368,100	7,819,900	3%
Average retirement age	-1 yr	2,488,900	5,299,300	7,788,200	3%
Withdrawal Rate	-50%	2,989,300	5,602,400	8,591,700	14%

HISTORY OF LIABILITIES,ASSETS AND EXPERIENCE ADJUSTMENTS

Table 3 summarises the accrued liabilities and the plan assets for the current period and the previous three periods.

Table 3: History of liabilities and assets (R millions)

Liability History	30/06/2009	30/06/2010	30/06/2011	30/06/2012	30/06/2013
Present value of accrued liability	32.580	32.266	42.766	55.990	59.973
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
Surplus / (Deficit)	(32.580)	(32.266)	(42.766)	(55.990)	(59.973)

Table 4 summarises the experience adjustments for the current period and the previous two periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Table 4: History of experience adjustments:Gains and Losses (R millions)

Experience adjustments	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Liabilities: (Gain) / Loss	(4.570)	(0.041)	(1.140)	6.106	0.124
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

4.3 Long service awards and retirement gifts

The independent valuers, ARCH actuarial consulting, carry out a statutory valuation on an annual basis.

The principal actuarial assumptions used were as follows:

Discount rate per annum	7.40%	6.51%
General Salary Inflation (long term)	6.82%	5.97%
Retirement Gift Inflation (long term)	7.82%	6.97%
Net effective discount rate	0.54%	0.51%

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

2013
R

2012
R

Examples of mortality rates used were as follows:

Average retirement age

Mortality during employment

63 years
SA85-90 Ultimate

63 years
SA85-90 Ultimate

Members withdrawn from service:

Age 20

Age 30

Age 40

Age 50

Age 55

Females Males

24% 16%

15% 10%

6% 6%

2% 2%

0% 0%

Females Males

24% 16%

15% 10%

6% 6%

2% 2%

0% 0%

The amounts recognised in the Statement of Financial Position were determined as follows:

4. Present value of funded obligations

Fair value of plan assets

-

Liability in the Statement of Financial Position

11 350 971

9 623 976

Movement in the defined benefit obligation is as follows:

Balance at beginning of the year

9 623 976

7 821 611

Current service cost

1 284 741

837 047

Interest cost

581 947

579 241

Actuarial (Gain)/losses

1 238 392

1 113 035

Benefit payments

(1 378 085)

(726 958)

Balance at end of year

11 350 971

9 623 976

The amounts recognised in the Statement of Financial Performance were as follows:

CONTINUED OPERATIONS

Current service cost

1 284 741

811 061

Interest cost

581 947

562 407

Actuarial (Gain)/losses

1 238 392

1 074 630

Benefit payments

(1 378 085)

(726 958)

TOTAL: CONTINUED SERVICES

1 726 995

1 721 140

DISCONTINUED OPERATIONS

Provincial Health Services - Clinics

-

81 225

TOTAL

1 726 995

1 802 365

In conclusion:

Statement of Financial Position obligation for:

Post-employment medical benefits

59 972 510

55 990 074

Long Service Award

11 350 971

9 623 976

71 323 481

65 614 050

Statement of Financial Performance obligation for:

Post-employment medical benefits - continued members

3 982 436

13 349 819

Long Service Award loss - continued members

1 726 995

1 721 140

15 070 959

Post-employment medical benefits - discontinued members

-

(125 248)

Long Service Award loss - discontinued members

-

81 225

5 709 431

15 026 936

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results, will depend on the extent to which actual experience differs from the assumptions made.

The assumption which tends to have the greatest impact on the results are:

- (i) The discount rate relative to the salary inflation assumptions;
- (ii) The average retirement age of employees; and
- (iii) Assumed rates of withdrawal of employees from service

2013
R

2012
R

SENSITIVITY RESULTS

The liability at the Valuation date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- retirement age of employees; and
- (iii) A 50% decrease in the assumed withdrawal rates from service.

Tables 1 summarises the results of the sensitivity analysis.

Table 1: Sensitivity Analysis on the Unfunded Accrued Liability (R Millions)

4. RETIREMENT BENEFITS (Continued)

Assumption	Change	Liability	% change
Central assumptions		11.351	
General salary inflation	+1%	12.111	7%
	-1%	10.669	-6%
Average retirement age	-2 yrs	10.547	-7%
	+2 yrs	12.170	7%
Withdrawal rates	-50%	13.939	23%

Table 2: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2013

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		1,284,700	581,900	1,866,600	
General salary inflation	+1%	1,361,100	621,300	1,982,400	6%
	-1%	1,217,600	546,600	1,764,200	-5%
Average retirement age	-2 yrs	1,173,400	532,300	1,705,700	-9%
	+2 yrs	1,374,500	637,400	2,011,900	8%
Withdrawal rates	-50%	1,579,900	705,400	2,285,300	22%

HISTORY OF LIABILITIES,ASSETS AND EXPERIENCE ADJUSTMENTS

Tables 3 summarises the accrued liabilities and the plan assets for the current period and the previous four periods.

Table 3 History of liabilities and assets

	30/06/2009	30/06/2010	30/06/2011	30/06/2012	30/06/2013
Present value of accrued liability	5,985,987	6,267,597	7,821,611	9,623,976	11,350,971
Fair value of plan asset	0	0	0	0	0
Surplus / (Deficit)	(5,985,987)	(6,267,597)	(7,821,611)	(9,623,976)	(11,350,971)

Table 4 : History of experience adjustments:(Gains) and Losses

Experience adjustment	Year ending 30/06/2009	Year ending 30/06/2010	Year ending 30/06/2011	Year ending 30/06/2012	Year ending 30/06/2013
Liabilities: (Gain) / Loss	(1,460,442)	(394,013)	400,407	417,555	1,430,588
Assets: Gain / (Loss)	0	0	0	0	0

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
5. DEPOSITS		
Electricity	22 750 448	21 288 829
Guarantees held in lieu of electricity deposits	2 648 846	2 519 946
6 CURRENT PORTION OF PROVISIONS		
Eradication of alien vegetation - current portion	4 467 041	3 899 335
Rehabilitation of the landfill site - current portion	2 664 788	2 565 695
	7 131 829	6 465 030
7 TRADE & OTHER PAYABLES		
Trade creditors	91 432 251	87 631 459
Payments received in advance	15 547 585	13 810 636
Deposits - other	1 578 024	1 484 290
Staff leave	9 361 992	8 715 911
Cheques payments not yet presented to bank	1 393 845	8 502 451
Retentions	5 468 513	4 121 949
Housing Agency Creditor - Department of Human Settlements	27 771 235	28 879 503
Other creditors	501 353	1 093 000
Total Creditors	153 054 798	154 239 199
Payments in advance includes prepaid electricity accruals.		
8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Conditional Grants from other spheres of Government		
Municipal Infrastructure Grant	23 696 547	20 824 147
Land Use Management Systems	107 000	107 000
Municipal Systems Improvement Grant	731 959	793 767
New Library	91 149	18 233
Department of Sports and Recreation	260 486	150 000
Municipal Assistance Programme	822 902	2 205 358
iLembe: Shared Services	823 003	818 927
Neighbourhood Development Partnership	-	1 054 478
Thusong Centre	344 233	486 688
Multi Purpose Centre - MPCC	310 561	517 073
Ethembeni / Charlotdale Precent	500 000	500 000
Expanded Public Works Programme	603 938	-
Corridor Development	9 771 173	-
Department of Minerals and Energy (DME)	8 000 000	-
Museum	465 577	-
Housing Accreditation	6 846 000	-
Disaster Rough Seas	4 400 258	-
Total Conditional Grants and Receipts	58 129 820	28 506 814
See note 22 for reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilized.		
9 VALUE ADDED TAXATION RECEIVABLE	4 051 344	12 293 002
VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to SARS		

30 June 2013

Reconciliation of Carrying Value	Buildings R	Vehicles R	Infrastructure Roads R	Infrastructure Stormwater R	Infrastructure Electrical R	Furniture and Fittings R	Cemetries	Other Assets	Developed Land	Undeveloped Land	Housing R	Leased assets R	Under Construction R	Total R
Carrying Values at 30 June 2012	70,245,572	20,224,205	132,665,015	85,795,204	228,852,728	15,370,225	4,361,372	2,519	31,599,842	76,345,700	3,521,316	972,845	74,947,231	746,995,995
Cost	91,103,155	43,691,239	238,639,360	114,494,614	375,462,192	32,418,518	5,160,477	11,795	31,599,842	76,345,700	8,052,000	1,565,334	74,947,231	1,095,821,162
Accumulated depreciation	(20,857,583)	(23,467,034)	(105,974,345)	(28,699,410)	(146,609,464)	(17,048,293)	(799,105)	(9,276)	-	-	(4,530,684)	(592,489)	-	(348,825,167)
Additions														-
Acquisitions	1,933,547	1,504,600	755,225		3,289,415	8,743,981	171,095		3,172,607	200,000		40,813	65,742,029	86,216,548
Capital under construction brought into use	8,249,199		23,550,636	4,106,221	27,089,357	17,948							(63,013,361)	-
Donations	500,000			2,903,614	14,995,438	29,923								18,428,975
Assets physically verified not on list					3,997,383	129,323								4,126,706
Revaluation of PPE before transfer	9,813,137													9,813,137
Assets written off	(45,283)	(815,920)			(1,774,695)	(1,692,593)		(2,035)				(26,173)		(4,396,264)
Cost	(175,308)	(1,837,648)			(3,309,076)	(8,395,055)		(11,795)				(117,098)		(13,891,972)
Accumulated Depreciation	130,025	1,021,728			1,534,381	6,702,462		9,760				90,925		9,495,708
Impairment			(4,050,983)		(1,635,414)	(18,948)								-
Depreciation	(4,814,812)	(3,487,173)	(6,698,145)	(2,309,665)	(10,391,692)	(5,181,215)	(238,430)	(484)			(146,610)	(434,684)		(5,705,345)
Property transferred to IP	(10,575,000)								(95,000)					-
Cost	(10,730,452)								(95,000)					(10,825,452)
Accumulated depreciation	155,452	-	-	-	-	-		-	-	-	-	-	-	155,452
Carrying Values at 30 June 2013	75,306,360	17,425,712	146,221,747	90,495,374	264,422,520	17,398,644	4,294,037	(0)	34,677,449	76,545,700	3,374,706	552,801	77,675,899	810,982,230
Cost	100,693,277	43,358,191	262,945,221	121,504,449	421,524,709	32,944,638	5,331,572	(0)	34,677,449	76,545,700	8,052,000	1,489,049	77,675,899	1,189,689,102
Accumulated depreciation	(25,386,918)	(25,932,479)	(116,723,473)	(31,009,075)	(157,102,189)	(15,545,994)	(1,037,535)	0	-	-	(4,677,294)	(936,248)	-	(378,706,872)

30 June 2012 RESTATED

Reconciliation of Carrying Value	Buildings	Vehicles	Infrastructure Roads	Infrastructure Stormwater	Infrastructure Electrical	Furniture and Fittings	Cemetries	Other Assets	Developed Land	Undeveloped Land	Housing	Leased assets	Under Construction	Total
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Carrying Values at 30 June 2011	75,847,398	24,387,146	130,543,049	88,110,641	236,027,606	11,862,597		4,581,172	31,599,842	72,845,700	3,668,335	148,218	23,328,988	705,254,729
Cost	90,458,962	43,808,060	229,264,495	114,494,613	367,094,805	25,840,768		5,565,704	31,599,842	72,845,700	8,052,000	356,979	23,328,988	1,015,266,864
Accumulated depreciation	(14,611,564)	(19,420,914)	(98,721,447)	(26,383,972)	(131,067,199)	(13,978,171)		(984,532)	-	-	(4,383,665)	(208,761)	-	(310,012,135)
Acquisitions	9,875,981	1,353,103	30,866,056	1,641,051	2,655,929	7,830,226		895,742	80,087	3,500,000	-	811,271	23,154,459	83,156,013
Capital under construction brought into use	3,693,356	-	24,763,190	-	5,876,953	-		294,991	-	-	-	-	(34,628,490)	-
Capital under construction Maintenance written off														-
Assets received through Change in Municpal Demarcation - Ndwedwe	-	-	-	-	-	-		-	-	-	-	-	-	-
Assets Donated	-	-	16,750	-	2,567,232	-		-	-	-	-	-	-	2,583,982
Assets Previously not recognised	-	25,404	-	-	-	1,692,277		-	-	-	-	549,440	-	2,267,121
Acquisitions incorrectly recognised as "Intangible assets"	-	-	-	-	-	-		-	-	-	-	-	3,730,774	3,730,774
Reclassification of assets under construction in Acquisitions to "Under construction"														
- Related to 2012 year	(6,683,764)	-	(29,990,630)	(1,641,050)	(324,694)	-		(173,750)	(80,087)	-	-	-	38,893,977	-
- Related to prior years	(6,496,060)	-	(16,280,501)	-	(123,903)	-		-	-	-	-	-	22,900,464	-
Disposal of prior year auctioned items														
- Cost														-
- Accumulated Depreciation														-
Reclassification of assets previously classified incorrectly														
- Cost	255,780	10,033				1,301,559	5,160,477	(6,559,056)				-	(2,432,940)	(2,264,147)
- Accumulated Depreciation	(185,885)	(8,696)				(872,868)	(799,105)	1,692,848				-		(173,706)
Reversal of disposed assets found														
- Cost	-													-
- Accumulated Depreciation														-
Assets Transferred		(113,005)				205,230						(13,231)		78,995
Cost	-	(118,441)	-	-	-	443,956		-	-	-	-	(152,356)		173,159
Acc dep	-	5,436	-	-	-	(238,726)		-	-	-	-	139,125	-	(94,165)
Assets written off	(994)	(241,083)	-	-	(1,374,502)	(517,639)		(4,947)	-	-	-	-	-	(2,694,854)
Cost	(1,100)	(1,386,920)	-	-	(2,284,130)	(4,690,268)		(11,836)	-	-	-	-	-	(9,074,254)
Accumulated Depreciation	106	1,145,837	-	-	909,628	4,172,629		6,889	-	-	-	-	-	6,379,399
Impairment	-	-	-	-	-	-		-	-	-	-	-	-	-
Depreciation	(6,060,240)	(5,188,697)	(7,252,899)	(2,315,438)	(16,451,893)	(6,131,157)		(724,481)	-	-	(147,019)	(522,853)	-	(44,924,563)
Carrying Value of disposals	-	-	-	-	-	-		-	-	-	-	-	-	-
Cost	-	-	-	-	-	-		-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-		-	-	-	-	-	-	-
Carrying Values at 30 June 2012	70,245,572	20,224,205	132,665,015	85,795,204	228,852,728	15,370,225	4,361,372	2,519	31,599,842	76,345,700	3,521,316	972,845	74,947,231	746,995,995
Cost	91,103,155	43,691,239	238,639,360	114,494,614	375,462,192	32,418,518	5,160,477	11,795	31,599,842	76,345,700	8,052,000	1,565,334	74,947,231	1,095,821,162
Accumulated depreciation	(20,857,583)	(23,467,034)	(105,974,345)	(28,699,410)	(146,609,464)	(17,048,293)	(799,105)	(9,276)	-	-	(4,530,684)	(592,489)	-	(348,825,167)

11. INTANGIBLE ASSETS

30 June 2013

		Total
Carrying values as at 1 July 2012	20 990 454	20 990 454
Cost	24 400 903	24 400 903
Accumulated Amortisation	(3 410 449)	(3 410 449)
Write-off of intangible assets	(44 896)	(44 896)
Cost	(378 317)	(378 317)
Accumulated Amortisation	333 421	333 421
Additions	10 570	10 570
Intangible assets not previously recognized	95 382	95 382
Refund on previously capitalised amounts	(5 215 789)	(5215 789)
Amortisation	(2 515 404)	(2 515 404)
Carrying value closing balance as at 30 June 2013	13 320 317	13 320 317
Cost	18 912 749	18 912 749
Accumulated Amortisation	(5 592 432)	(5 592 432)

30 June 2012 Restated

Carrying values as at 1 July 2011	8 593 525	8 593 525
Cost	11 684 204	11 684 204
Accumulated Amortisation	(3 090 679)	(3 090 679)
Assets transferred to Property, Plant & Equipment	(78 994)	(78 994)
Cost	(173 159)	(173 159)
Accumulated Amortisation	94 165	94 165
Write-off of intangible assets	(49 869)	(49 869)
Cost	(531 237)	(531 237)
Accumulated Amortisation	481 368	481 368
Additions	4 665 077	4 665 077
Work In Progress	12 483 143	12 483 143
Intangible assets not previously recognized	172 441	172 441
Amortisation	(1 063 738)	(1 063 738)
Reclassification of items incorrectly included in Intangible Assets		
Cost		
- Property, plant and equipment - Assets Under Construction	(3 730 774)	(3 730 774)
- Vehicles	(5 723)	(5 723)
- Furniture and Fittings	(163 069)	(163 069)
Accumulated depreciation		
- Vehicles	5 366	5 366
- Furniture and Fittings	163 069	163 069
Carrying value closing balance as at 30 June 2012	20 990 454	20 990 454
Cost	24 400 903	24 400 903
Accumulated Amortisation	(3 410 449)	(3 410 449)

Intangible Assets / Software R4 723 804
Right to access / Eskom R19 988 054

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
12. INVESTMENT PROPERTIES		
Carrying Value Opening Balance	53 630 000	56 100 000
Loss on valuation	-	(3 025 690)
Gain on valuation	1 445 000	-
Sale of properties	(460 000)	-
Transfer from Property, Plant and Equipment	10 670 000	555 690
Carrying Values Closing Balance	65 285 000	53 630 000
The fair value of these properties as valued by Council's valuer at 30 June 2013 amounts to	65 285 000	53 630 000
Rental income derived from these properties amount to	564 089	544 695
No amounts were expensed towards repairs and maintenance costs for investment properties.		
Details of investment properties are included in a register which is available for inspection at the municipal offices.		
13. HERITAGE ASSETS		
Carrying values as at 1 July 2012		
At Cost	18 346	18 346
Additions	-	-
Carrying value closing balance as at 30 June 2013		
At Cost	18 346	18 346
14. LONG-TERM RECEIVABLES		
Housing selling scheme loans	11 085 762	11 199 066
Electricity connection loans	-	-
	11 085 762	11 199 066
Less: Allowance for impairment and future housing discounts	(10 079 396)	(10 250 075)
Allowance for impairment and future housing discounts	(10 079 396)	(10 250 075)
	1 006 366	948 991
Less: Current portion transferred to current receivables	(5 076)	(5 076)
Current portion	(5 076)	(5 076)
Total Receivables	1 001 290	943 915

HOUSING SELLING SCHEME LOANS

Loans have been granted to individuals who qualified in terms of the KwaZulu-Natal Department of Housing's programme. The loans are repayable over terms ranging from 5 to 30 years at interest rates varying between 11.25% and 13.5%

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	R	R
15. INVENTORIES		
Consumable stores	319 077	74 296
Mechanical spares	14 464	15 092
Electrical maintenance spares	2 005 947	1 856 265
Fuel	209 270	261 524
Housing inventory	334 132	337 364
Total Inventories	2 882 889	2 544 540

Periodically, physical stock counts are carried out and any obsolete and redundant items are identified and written off under Council authority.

16. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	61 560 276	54 306 369
Estate	80 220	104 454
Refuse	7 251 642	7 413 818
Consumer debtors for VAT	9 933 226	8 973 003
Legal Fees	2 097 390	1 088 892
Encroachment and plot clearing	20 264	32 808
Sundry Adjustments	97 543	140 408
Interest	3 059 475	2 527 728
Add back credits included above	281 111	366 399
Total service debtors	84 381 147	74 953 877
Less: Allowance for impairment	(27 196 751)	(27 300 563)
Total	57 184 397	47 653 314

Electricity: Ageing

Current (0 – 30 days)	48 420 901	37 172 668
31 - 60 Days	2 353 585	7 419 507
61 - 90 Days	952 234	2 391 346
91 - 120 Days	1 136 774	1 752 575
Greater than 120 days	8 696 783	5 570 273
Total	61 560 276	54 306 369

Estate: Ageing

Current (0 – 30 days)	2 510	79
31 - 60 Days	2 510	2 378
61 - 90 Days	2 401	2 183
91 - 120 Days	2 183	2 183
Greater than 120 days	70 616	97 631
Total	80 220	104 454

Refuse: Ageing

Current (0 – 30 days)	1 079 209	116 739
31 - 60 Days	477 826	850 854
61 - 90 Days	335 992	463 702
91 - 120 Days	304 268	339 605
Greater than 120 days	5 054 348	5 642 918
Total	7 251 642	7 413 818

	2013 R	2012 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>Consumer Debtors for VAT: Ageing</u>		
Current (0 – 30 days)	6 985 889	5 378 326
31 - 60 Days	378 381	1 167 370
61 - 90 Days	208 057	409 611
91 - 120 Days	212 323	311 026
Greater than 120 days	2 148 575	1 706 670
Total	9 933 226	8 973 003
<u>Legal Fees: Ageing</u>		
Current (0 – 30 days)	346 748	40 821
31 - 60 Days	83 946	66 783
61 - 90 Days	53 991	4 612
91 - 120 Days	423 124	39 802
Greater than 120 days	1 189 581	936 875
Total	2 097 390	1 088 892
<u>Encroachment and plot clearing: Ageing</u>		
Current (0 – 30 days)	-	-
31 - 60 Days	-	-
61 - 90 Days	-	-
91 - 120 Days	-	-
Greater than 120 days	20 264	32 808
Total	20 264	32 808
<u>Sundry Adjustments: Ageing</u>		
Current (0 – 30 days)	128 574	117 796
31 - 60 Days	(9 432)	(9 231)
61 - 90 Days	258	(1 263)
91 - 120 Days	(3 364)	(184)
Greater than 120 days	(18 492)	33 290
Total	97 543	140 408
<u>Interest: Ageing</u>		
Current (0 – 30 days)	243 240	55 291
31 - 60 Days	197 884	229 721
61 - 90 Days	195 559	198 639
91 - 120 Days	176 562	176 417
Greater than 120 days	2 246 229	1 867 659
Total	3 059 475	2 527 728
<u>Add back credits included above: Ageing</u>		
Current (0 – 30 days)	4 961 242	5 280 993
31 - 60 Days	(593 437)	(1 222 862)
61 - 90 Days	(806 182)	(594 273)
91 - 120 Days	(510 097)	(505 033)
Greater than 120 days	(2 770 415)	(2 592 427)
Total	281 111	366 399

	2013 R	2012 R
16. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
<u>Reconciliation of the Allowance for Impairment</u>		
Balance at beginning of the year	103 142 746	103 103 602
Receivables from exchange transactions	27 300 563	26 882 092
Long term receivables	10 250 075	10 770 240
Receivables from non-exchange transactions	65 592 108	65 451 270
(Release from) / Contribution to provision	324 296	39 144
Receivables from exchange transactions	(897 988)	1 788 302
Long term receivables	(170 679)	(520 165)
Receivables from non-exchange transactions	569 647	(258 397)
	(499 019)	1 009 740
Vat on trade receivables from exchange transactions	794 176	(1 369 831)
Vat on trade receivables from non-exchange transactions	29 140	399 235
Receivables from exchange transactions	27 196 751	27 300 563
Long term receivables	10 079 396	10 250 075
Receivables from non-exchange transactions	66 190 895	65 592 108
Balance at end of year	103 467 042	103 142 746
Bad debts written off	2 681 558	428 883
17. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS		
Rates	78 115 471	79 815 276
Other debtors	12 967 615	8 612 423
Provincial Health Subsidy (see note 22)	-	1 205 000
Disaster Rough Seas (see note 22)	-	395 814
Department of Housing - RDP projects (see note 22)	172 134	39 925
Operating leases	2 142 034	2 099 496
Ilembe debtors	185 960	288 108
	93 583 214	92 456 041
less: Allowance for impairment	(66 190 895)	(65 592 108)
Total Other Debtors	27 392 319	26 863 933
<u>Rates: Ageing</u>		
Current (0 – 30 days)	10 106 313	1 230 208
31 - 60 Days	4 287 535	8 335 497
61 - 90 Days	3 437 698	4 868 039
91 - 120 Days	3 042 756	3 512 894
Greater than 120 days	57 241 170	61 868 638
Total	78 115 471	79 815 276

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18. CALL INVESTMENT DEPOSITS		
TOTAL CURRENT DEPOSITS	393 130 942	300 975 332
<u>ACCOUNT DESCRIPTION - Investments (MFMA requirement)</u>		
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62099517743: Money Market Account</i>		
Bank statement and cash book balance at the beginning of the year	49 160 065	48 461 658
Bank statement and cash book balance at the end of the year	25 296 787	49 160 065
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 05 8756442-028: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	17 666 009	16 704 260
Bank statement and cash book balance at the end of the year	18 648 561	17 666 009
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 03 7881022337-10: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	13 136 340	12 136 340
Bank statement and cash book balance at the end of the year	13 807 357	13 136 340
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442-027: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	9 049 776	8 557 116
Bank statement and cash book balance at the end of the year	9 553 108	9 049 776
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 03 7881022337-11: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 184 252	5 862 027
Bank statement and cash book balance at the end of the year	6 502 210	6 184 252
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2068872069: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 202 035	5 872 773
Bank statement and cash book balance at the end of the year	6 558 789	6 202 035
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2068912186: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 180 759	5 852 627
Bank statement and cash book balance at the end of the year	6 536 290	6 180 759
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 03 7881022337-143: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	6 203 071	5 880 076
Bank statement and cash book balance at the end of the year	6 522 734	6 203 071

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18. CALL INVESTMENT DEPOSITS (continued)		
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 998 29852604: Call Account</i>		
Bank statement and cash book balance at the beginning of the year	5 708 237	5 455 508
Bank statement and cash book balance at the end of the year	5 944 124	5 708 237
Investments Bank Account <i>ABSA Bank Account - Durban Branch</i> <i>Account Number 2070596495</i>		
Bank statement and cash book balance at the beginning of the year	11 097 854	10 508 677
Bank statement and cash book balance at the end of the year	11 736 227	11 097 854
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 313 371 739 992</i>		
Bank statement and cash book balance at the beginning of the year	11 064 562	10 492 078
Bank statement and cash book balance at the end of the year	12 083 232	11 064 562
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2070924953</i>		
Bank statement and cash book balance at the beginning of the year	10 894 763	10 315 822
Bank statement and cash book balance at the end of the year	11 521 454	10 894 763
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 025</i>		
Bank statement and cash book balance at the beginning of the year	5 458 005	5 161 072
Bank statement and cash book balance at the end of the year	5 761 570	5 458 005
Investments Bank Account <i>Standard Bank Bank Account - Stanger Branch</i> <i>Account Number 05 875 6642 024</i>		
Bank statement and cash book balance at the beginning of the year	5 458 006	5 161 072
Bank statement and cash book balance at the end of the year	5 761 570	5 458 006
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288308672</i>		
Bank statement and cash book balance at the beginning of the year	520 127	519 948
Bank statement and cash book balance at the end of the year	520 127	520 127
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288306147</i>		
Bank statement and cash book balance at the beginning of the year	260 023	259 948
Bank statement and cash book balance at the end of the year	260 023	260 023
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 74385497604</i>		
Bank statement and cash book balance at the beginning of the year	27 907 134	26 413 046
Bank statement and cash book balance at the end of the year	29 369 175	27 907 134

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
18. CALL INVESTMENT DEPOSITS (continued)		
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 05 5756442-026</i>		
Bank statement and cash book balance at the beginning of the year	15 732 566	14 876 108
Bank statement and cash book balance at the end of the year	16 607 583	15 732 566
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 74386376948</i>		
Bank statement and cash book balance at the beginning of the year	16 512 478	15 644 044
Bank statement and cash book balance at the end of the year	17 368 637	16 512 478
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289159660</i>		
Bank statement and cash book balance at the beginning of the year	2 660 883	2 559 031
Bank statement and cash book balance at the end of the year	2 753 602	2 660 883
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289162259</i>		
Bank statement and cash book balance at the beginning of the year	4 044 605	3 889 765
Bank statement and cash book balance at the end of the year	4 185 510	4 044 605
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288308135</i>		
Bank statement and cash book balance at the beginning of the year	214 997	214 948
Bank statement and cash book balance at the end of the year	214 997	214 997
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62289163215</i>		
Bank statement and cash book balance at the beginning of the year	585 314	562 937
Bank statement and cash book balance at the end of the year	605 689	585 314
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288305230</i>		
Bank statement and cash book balance at the beginning of the year	620 159	619 948
Bank statement and cash book balance at the end of the year	620 159	620 159
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62288306618</i>		
Bank statement and cash book balance at the beginning of the year	186 994	186 948
Bank statement and cash book balance at the end of the year	186 994	186 994
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442010</i>		
Bank statement and cash book balance at the beginning of the year	5 116 793	-
Bank statement and cash book balance at the end of the year	5 328 820	5 116 793
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 384951119997</i>		
Bank statement and cash book balance at the beginning of the year	5 109 820	-
Bank statement and cash book balance at the end of the year	5 387 937	5 109 820

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
18. CALL INVESTMENT DEPOSITS (continued)		
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442023</i>		
Bank statement and cash book balance at the beginning of the year	10 157 163	-
Bank statement and cash book balance at the end of the year	10 725 639	10 157 163
Investments Bank Account <i>Nedbank Bank Account - Stanger Branch</i> <i>Account Number 374035339995</i>		
Bank statement and cash book balance at the beginning of the year	10 181 990	-
Bank statement and cash book balance at the end of the year	10 804 631	10 181 990
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 62363519251</i>		
Bank statement and cash book balance at the beginning of the year	11 976 639	-
Bank statement and cash book balance at the end of the year	12 394 732	11 976 639
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 4627072052: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	78 687	75 162
Bank statement and cash book balance at the end of the year	82 390	78 687
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 4627072654: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	137 191	130 492
Bank statement and cash book balance at the end of the year	143 598	137 191
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 71039219855: Short Term Investment Account</i>		
Bank statement and cash book balance at the beginning of the year	54 529	51 760
Bank statement and cash book balance at the end of the year	54 653	54 529
Investments Bank Account <i>First National Bank Account - Stanger Branch</i> <i>Account Number 71186421337: Fixed Deposit</i>		
Bank statement and cash book balance at the beginning of the year	13 980 484	13 145 653
Bank statement and cash book balance at the end of the year	14 805 089	13 980 484
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 9998 31337173: Fixed Deposit</i>		
Bank statement and cash book balance at the beginning of the year	11 473 020	10 775 146
Bank statement and cash book balance at the end of the year	11 650 828	11 473 020

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
18. CALL INVESTMENT DEPOSITS (continued)		
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2072795649</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>10 382 634</u>	<u>-</u>
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2073097787</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>10 223 299</u>	<u>-</u>
Investments Bank Account <i>ABSA Bank Account - Stanger Branch</i> <i>Account Number 2073166734</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>10 179 425</u>	<u>-</u>
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666451</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>10 501 030</u>	<u>-</u>
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666452</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>20 781 293</u>	<u>-</u>
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666453</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>10 218 614</u>	<u>-</u>
Investments Bank Account <i>Investec Bank Account - Durban Branch</i> <i>Account Number 1100482666454</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>10 171 493</u>	<u>-</u>
Investments Bank Account <i>Nedbank Account - Stanger Branch</i> <i>Account Number 412995079996</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>10 199 890</u>	<u>-</u>
Investments Bank Account <i>Standard Bank Account - Stanger Branch</i> <i>Account Number 058756442022</i>		
Bank statement and cash book balance at the beginning of the year	-	-
Bank statement and cash book balance at the end of the year	<u>10 168 438</u>	<u>-</u>
TOTAL CURRENT INVESTMENTS	<u>393 130 942</u>	<u>300 975 332</u>

	2013 R	2012 R
19. BANK BALANCES AND CASH		
The Municipality has the following main bank accounts:		
<u>ACCOUNT DESCRIPTION</u>		
Primary Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 53730256310: Cheque Account</i>		
<i>First National Bank Account - Ballito Branch</i>		
<i>Account Number 53730076916: Cheque Account</i>		
Cash book balance at the beginning of the year	24 307 466	19 121 494
Cash book balance at the end of the year	26 912 615	24 307 466
Bank statement balance at the beginning of the year	24 307 466	19 121 494
Bank statement balance at the end of the year	26 912 615	24 307 466
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62020550077: Cheque Account</i>		
Cash book balance at the beginning of the year	1 852 052	1 860 679
Cash book balance at the end of the year	2 068 047	1 852 052
Bank statement balance at the beginning of the year	1 852 052	1 860 679
Bank statement balance at the end of the year	2 068 047	1 852 052
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62015681225: Cheque Account</i>		
Cash book balance at the beginning of the year	24 686 256	1 117 276
Cash book balance at the end of the year	23 542 599	24 686 256
Bank statement balance at the beginning of the year	24 934 456	1 117 276
Bank statement balance at the end of the year	23 542 599	24 934 456
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62031878624: Cheque Account</i>		
Cash book balance at the beginning of the year	58 682	64 612
Cash book balance at the end of the year	59 223	58 682
Bank statement balance at the beginning of the year	58 682	64 612
Bank statement balance at the end of the year	59 223	58 682
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62031876800: Cheque Account</i>		
Cash book balance at the beginning of the year	12 833	5 323
Cash book balance at the end of the year	19 761	12 833
Bank statement balance at the beginning of the year	12 833	5 323
Bank statement balance at the end of the year	19 761	12 833
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62059290454: Cheque Account</i>		
Cash book balance at the beginning of the year	38 974	15 637
Cash book balance at the end of the year	60 872	38 974
Bank statement balance at the beginning of the year	38 974	15 637
Bank statement balance at the end of the year	60 872	38 974

	2013 R	2012 R
19. BANK BALANCES AND CASH (continued)		
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62059290561: Cheque Account</i>		
Cash book balance at the beginning of the year	10 757	4 236
Cash book balance at the end of the year	16 781	10 757
Bank statement balance at the beginning of the year	10 757	4 236
Bank statement balance at the end of the year	16 781	10 757
Electricity Main Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080947941: Cheque Account</i>		
Cash book balance at the beginning of the year	14 184	5 674
Cash book balance at the end of the year	21 736	14 184
Bank statement balance at the beginning of the year	14 184	5 674
Bank statement balance at the end of the year	21 736	14 184
Electricity Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62080949301: Cheque Account</i>		
Cash book balance at the beginning of the year	30 912	12 307
Cash book balance at the end of the year	48 117	30 912
Bank statement balance at the beginning of the year	30 912	12 307
Bank statement balance at the end of the year	48 117	30 912
Gijima Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62115726525: Cheque Account</i>		
Cash book balance at the beginning of the year	697	1 528
Cash book balance at the end of the year	-	697
Bank statement balance at the beginning of the year	697	1 528
Bank statement balance at the end of the year	-	697
Grants Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62049936323: Cheque Account</i>		
Cash book balance at the beginning of the year	5 190 449	4 972 627
Cash book balance at the end of the year	3 673 333	5 190 449
Bank statement balance at the beginning of the year	5 190 449	4 972 627
Bank statement balance at the end of the year	3 673 333	5 190 449

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
19. BANK BALANCES AND CASH (continued)		
Fines Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62079758268: Cheque Account</i>		
Cash book balance at the beginning of the year	404 343	241 267
Cash book balance at the end of the year	627 969	404 343
Bank statement balance at the beginning of the year	404 343	241 267
Bank statement balance at the end of the year	627 969	404 343
Grants Bank Account (2)		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 74303898107: Cheque Account</i>		
Cash book balance at the beginning of the year	44 181 130	24 335 759
Cash book balance at the end of the year	70 995 456	44 181 130
Bank statement balance at the beginning of the year	44 181 130	24 335 759
Bank statement balance at the end of the year	70 995 456	44 181 130
Housing Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62416012649: Cheque Account</i>		
Cash book balance at the beginning of the year	-	-
Cash book balance at the end of the year	6 846 853	-
Bank statement balance at the beginning of the year	-	-
Bank statement balance at the end of the year	6 846 853	-
Dolphin Coast TLC Bank Account		
<i>First National Bank Account - Stanger Branch</i>		
<i>Account Number 62416012649: Cheque Account</i>		
Cash book balance at the beginning of the year	305 069	297 823
Cash book balance at the end of the year	-	305 069
Bank statement balance at the beginning of the year	305 069	297 823
Bank statement balance at the end of the year	-	305 069
Petty cash and cash on hand	922 905	1 273 989
TOTAL BANK BALANCES AND CASH:	135 816 267	102 367 793

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
20. PROPERTY RATES		
<u>Actual</u>		
Residential	136 049 476	130 576 730
Commercial	49 678 150	43 056 676
Residential for commercial purposes	613 960	510 294
Education and State	3 159 802	2 957 524
Agriculture	2 195 857	3 310 195
Vacant	41 621 304	38 400 016
PSI	3 061 912	1 128 161
Total Assessment Rates	236 380 463	219 939 596
<u>Property Valuations</u>		
Residential	29 425 775 200	29 214 223 200
Commercial	3 691 735 000	3 599 965 000
Residential for commercial purposes	103 885 000	98 221 000
Education and State	379 328 000	381 616 000
Municipal	332 077 000	264 042 000
Agriculture	3 277 398 708	3 330 706 708
Vacant	2 796 352 400	2 745 539 900
Informal settlements	4 309 000	17 230 000
Land reform	515 151 000	509 321 000
Monuments	1 733 000	1 733 000
PSI	5 114 299 000	5 114 327 000
Worship / PBOS	164 723 000	162 260 000
Total Property Valuations	45 806 766 308	45 439 184 808
The last general valuation came into effect on:	02/07/2010	02/07/2010
Property rates levied in terms of the Local Government: Municipal Property Rates Act No. 6 of 2004 with effect from 01/07/2007		
Supplementary valuations are prepared on a biannual basis taking into account consolidations and subdivisions as well as property category changes		
Assessment rates: Cents in the rand on market valuation as follows:		
Residential, informal settlements, land reform, monuments	0.53800	0.50000
Residential for commercial purposes	0.59100	0.55000
Agricultural	0.13400	0.12500
Industrial, business and commercial, vacant, public infrastructure, state owned and worship	1.66600	1.55000
State owned	0.83300	0.77500
Guest houses	1.50000	1.39500
Public service infrastructure	0.13400	0.12500
The first R100 000 of the valuation of residential properties are exempt from the calculation of rates.		
The first 30% of the valuation of Public Service infrastructure properties are exempt from the calculation of rates		
Rebates:		
Improved special residential property	0%	0%
State property owners	0%	0%
Agricultural property & PSI	0%	0%
Residential used for commercial purposes	0%	0%
Industrial, business and commercial, and vacant	0%	0%
Land reform, worship, state land, PBO's, monuments, informal settlements and municipal owned property	100%	100%
Additional rebates applicable:		
Excluded services	15%	15%
All Pensioners		
Pensioners under 65 years	25%	25%
Pensioners between 65 & 75 years	30%	30%
Pensioners older than 75 years	35%	35%
Ballito Business Park Phase 3	0.00%	0.00%
Industrial incentives including:		
In first & second year thereafter phased out by 10% per annum	100%	100%
Residential Developers incentive		
In first & second year thereafter phased out by 10% per annum	100%	100%
Bonafide Agricultural properties	50%	50%
Rates are levied as follows (in terms of Section 26 of the Municipal Property Rates Act No. 6 of 2004) for the 2012/2013 financial year:		
On an annual basis, by application, and the final date of payment being:	28 Sept 2012	30 Sept 2011
On a monthly basis, and the final dates of payment being the last working day of the month from August 2012 to June 2013		
Interest is levied on outstanding rates per annum at:	15.5%	15.5%
Plus collection charges two months after the final date of payment in respect of annual rate payers and 1 July in respect of monthly rate payers:	10%	10%

KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

	2013 R	2012 R
21. SERVICE CHARGES		
Sale of electricity	467 294 110	402 425 745
Refuse removal	42 644 732	38 742 439
Total Service Charges	509 938 841	441 168 185
The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.		
22. GOVERNMENT GRANTS AND SUBSIDIES		
CONTINUED OPERATIONS		
Equitable Share	72 649 478	58 884 000
Municipal Infrastructure Grant	32 276 601	21 574 839
Financial Management Grant	2 043 585	1 079 557
Land Use Management Systems	-	-
Department of Minerals and Energy	-	2 000 000
Municipal Systems Improvement Grant	861 808	986 050
New Library Grant	117 883	109 558
DBSA - Admin Capacity Grant	-	262 774
Department of Sports and Recreation	39 514	-
CBD Revitalization	132 526	4 393 493
King Shaka	-	-
Municipal Assistance Programme	1 382 456	-
Museum	668 423	125 000
Department of Housing: RDP Housing	-	-
Disaster Rough Seas	-	-
Health: SAPPI	-	24 150
Property Rates Implementation	-	-
Ilembe Shared Services Grant	309 772	541 800
Neighbourhood Development Partnership Grant	2 907 000	3 730 774
Belgium Training Grant	-	55 000
Thusong Centre Grant	142 455	13 312
Multi Purpose Centre Grant	206 512	147 927
Expanded Public Works Programme	396 062	-
Corridor Development	1 228 827	-
Housing Accreditation	-	-
TOTAL: CONTINUED SERVICES	115 362 902	93 928 231
DISCONTINUED OPERATIONS		
Provincial Health Subsidies	-	3 858 496
Total Government Grant and Subsidies	115 362 902	97 786 727
No Grants were withheld		
22.1 Equitable Share		
Balance unspent at beginning of year	-	-
Current year receipts	72 649 478	58 884 000
Conditions met – transferred to revenue	(72 649 478)	(58 884 000)
Conditions still to be met	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
22.2 Municipal Infrastructure Grant		
Balance unspent at beginning of year	20 824 147	13 423 985
Current year receipts	35 149 000	28 975 000
Conditions met - transferred to revenue	(32 276 600)	(21 574 838)
Conditions still to be met-transferred to liabilities (see note 8)	23 696 547	20 824 147
This grant was used for road infrastructure as part of upgrading of informal settlements.		

	2013 R	2012 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.3 Financial Management Grant		
Balance unspent at beginning of year	802 531	432 088
Current year receipts	1 500 000	1 450 000
Conditions met - transferred to revenue	(2 043 585)	(1 079 557)
Conditions still to be met-transferred to liabilities (see note 8)	258 946	802 531
This grant was used for implementation of MFMA, finance reforms and payment of intern's salaries. No funds were withheld by National Treasury.		
22.4 Land Use Management Systems Grant		
Balance unspent at beginning of year	107 000	107 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	107 000	107 000
Spatial development framework and land use management systems. No funds were withheld.		
22.5 Department of Minerals and Energy Grant		
Balance unspent at beginning of year	-	-
Current year receipts	8 000 000	2 000 000
Conditions met - transferred to revenue	-	(2 000 000)
Conditions still to be met-transferred to liabilities (see note 8)	8,000,000	-
This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.		
22.6 Municipal Systems Improvement Grant		
Balance unspent at beginning of year	793 768	989 818
Current year receipts	800 000	790 000
Conditions met - transferred to revenue	(861 808)	(986 050)
Conditions still to be met-transferred to liabilities (see note 8)	731 959	793 768
This grant is used for electrification projects as part of upgrading of informal settlement areas. No funds were withheld.		
22.7 New Library Grant		
Balance unspent at beginning of year	18 232	27 790
Current year receipts	190 800	100 000
Conditions met - transferred to revenue	(117 883)	(109 558)
Conditions still to be met-transferred to liabilities (see note 8)	91 149	18 232
This grant was in construction of new KwaDukuza library. No funds were withheld.		
22.8 Provincial Health Subsidies		
Balance to be refunded at beginning of year	(1 205 000)	(1 971 307)
Current year receipts	1 205 000	4 624 803
Expenditure claimed in accordance with grant conditions	-	(3 858 496)
Grant claim outstanding - transferred to non-exchange receivables (see note 17)	-	(1 205 000)
The grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There are no delays or withholding of the subsidy.		

	2013 R	2012 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.9 Property Rates Implementation		
Balance unspent at beginning of year	31 985	31 985
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	31 985	31 985
This grant is for the communication of the Municipal Property Rates Act to the public. No funds were withheld.		
22.10 Development Bank of South Africa		
Balance unspent at beginning of year	-	262 774
Current year receipts	-	-
Conditions met - transferred to revenue	-	(262 774)
Adjustments	-	-
Conditions still to be met-transferred to liabilities (see note 8)	-	-
This grant is for capacity building.		
22.11 Department of Sports and Recreation		
Balance unspent at beginning of year	150 000	-
Current year receipts	150 000	150 000
Conditions met - transferred to revenue	(39 514)	-
Conditions still to be met-transferred to liabilities (see note 8)	260 486	150 000
This grant is for the upgrading of the sports facilities: Chief Albert Luthuli Sports Field.		
22.12 CBD Revitalization		
Balance unspent at beginning of year	196 627	4 590 120
Current year receipts	-	-
Conditions met - transferred to revenue	(132 526)	(4 393 493)
Conditions still to be met-transferred to liabilities (see note 8)	64 101	196 627
This grant is for the revitalization of the urban design framework for KwaDukuza central business district (CBD) to increase growth opportunities and investor confidence.		
22.13 Municipal Assistance Programme		
Balance unspent at beginning of year	2 205 358	2 205 358
Current year receipts	-	-
Conditions met - transferred to revenue	(1 382 456)	-
Conditions still to be met-transferred to liabilities (see note 8)	822 902	2 205 358
This grant is for credit control and GRAP implementation.		

	2013 R	2012 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.14 Museum		
Balance unspent at beginning of year	-	-
Current year receipts	1 134 000	125 000
Conditions met - transferred to revenue	(668 423)	(125 000)
	<u>465 577</u>	<u>-</u>
Conditions still to be met-transferred to liabilities (see note 8)		
This grant is for the Museum expenditure incurred.		
22.15 Department of Housing: RDP Housing		
Balance to be refunded at beginning of year	(39 925)	(39 925)
Current year receipts	(132 209)	-
Expenditure claimed in accordance with grant conditions	-	-
	<u>(172 134)</u>	<u>(39 925)</u>
Grant claim outstanding - transferred to non-exchange receivables (see note 17)		
Amount due by Department of Housing in respect of bridge financing of RDP project in terms of the HAC meeting 08/2005 approved by the MEC.		
22.16 Disaster Rough Seas		
Balance to be refunded at beginning of year	(395 814)	(2 985 230)
Current year receipts	4 796 072	2 589 417
Expenditure claimed in accordance with grant conditions	-	-
	<u>4 400 258</u>	<u>(395 814)</u>
This grant is from Department of Provincial Local Government for the clean up operations on the beaches.		
22.17 Health: SAPPI		
Balance unspent at beginning of year	-	24 150
Current year receipts	-	-
Conditions met - transferred to revenue	-	(24 150)
	<u>-</u>	<u>-</u>
Conditions still to be met-transferred to liabilities (see note 8)		
This grant represents renovations to the clinic funded by SAPPI.		
22.18 iLembe Shared Services		
Balance unspent at beginning of year	818 927	887 193
Current year receipts	313 849	473 534
Conditions met - transferred to revenue	(309 772)	(541 800)
	<u>823 004</u>	<u>818 927</u>
Conditions still to be met-transferred to liabilities (see note 8)		
This grant is for the hiring of a town planner for the KwaDukuza area.		

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
22. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
22.19 Neighbourhood Development Partnership		
Balance unspent at beginning of year	1 054 478	4 785 252
Current year receipts	2 907 000	-
Conditions met - transferred to revenue	(2 907 000)	(3 730 774)
Amounts withheld by National Treasury	(1 054 478)	
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>1 054 478</u>
This grant is for Infrastructure Development		
22.20 Belgium - Training		
Balance unspent at beginning of year	-	55 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(55 000)
Conditions still to be met-transferred to liabilities (see note 8)	<u>-</u>	<u>-</u>
This grant is for community upliftment		
22.21 Thusong Centre		
Balance unspent at beginning of year	486 688	-
Current year receipts		500 000
Conditions met - transferred to revenue	(142 455)	(13 312)
Conditions still to be met-transferred to liabilities (see note 8)	<u>344 233</u>	<u>486 688</u>
This grant is for community upliftment		
22.22 Multi Purpose Centre (MPCC)		
Balance unspent at beginning of year	517 073	-
Current year receipts	-	665 000
Conditions met - transferred to revenue	(206 512)	(147 927)
Conditions still to be met-transferred to liabilities (see note 8)	<u>310 561</u>	<u>517 073</u>
This grant is for community upliftment		
22.23 Ethembeni / Charlotdale Precent		
Balance unspent at beginning of year	500 000	-
Current year receipts	-	500 000
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>500 000</u>	<u>500 000</u>
This grant is for community upliftment		
22.24 Expanded Public Works Programme		
Balance unspent at beginning of year	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to revenue	(396 062)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>603 938</u>	<u>-</u>
This grant is for community upliftment		
22.25 Corridor Development		
Balance unspent at beginning of year	-	-
Current year receipts	11 000 000	-
Conditions met - transferred to revenue	(1 228 827)	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>9 771 173</u>	<u>-</u>
This grant is for community upliftment		
22.26 Housing Accreditation Grant		
Balance unspent at beginning of year	-	-
Current year receipts	6 846 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met-transferred to liabilities (see note 8)	<u>6 846 000</u>	<u>-</u>
This grant is for community upliftment		

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
23 EMPLOYEE RELATED COSTS		
CONTINUED OPERATIONS		
Employee related costs - Salaries and Wages	114 082 116	102 398 292
Contributions to UIF, medical, pension benefits, WC and levies	40 214 890	29 678 050
Travel, motor car, accommodation, subsistence and other allowances	9 351 155	8 777 426
Housing benefits and allowances	562 395	581 861
Overtime, standby and rations payments	23 849 010	19 355 546
Leave pay and leave bonus payments	13 043 762	11 168 371
TOTAL: CONTINUED SERVICES	201 103 328	171 959 546
DISCONTINUED OPERATIONS		
Provincial Health Services - Clinics	2 132 640	7 180 327
TOTAL EMPLOYEE RELATED COSTS	203 235 967	179 139 873
Included in the employee related costs are the following:		
<u>Remuneration of the Municipal Manager</u>		
Total cost to Council	1 232 916	700 342
The previous Municipal Manager resigned on the 31 July 2011. The post was vacant for a period of six months and was subsequently filled on the 01 February 2012. The present incumbent is employed on a fixed term contractual basis.		
<u>Remuneration of the Chief Finance Officer</u>		
Annual remuneration	845 620	789 779
Car allowance	29 777	29 820
Contributions to UIF, medical and pension funds	278 683	226 906
Total	1 154 080	1 046 505
<u>Remuneration of Executive Directors</u>		
<u>Economic Development and Planning</u>		
Annual remuneration	649 141	207 417
Car allowance	96 000	32 000
Medical and pension funds	204 097	53 647
Total	949 239	293 064
The previous Executive Director of Economic Development and Planning took up the post of Executive Director of Municipal Services on the 01 July 2011. The post was vacant for a period of eight months and was subsequently filled on the 01 March 2012.		
<u>Technical Services</u>		
Annual remuneration	695 396	414 500
Car allowance	31 008	22 392
Medical and pension funds	90 043	32 341
Total	816 447	469 233
The previous Executive Director of Technical Services retired on the 30 June 2010. The post was vacant for a period of seventeen months. The post was subsequently filled on the 12 December 2011. The Executive Director of Technical Services was charged with misconduct and vacated his post on 10 May 2013. The Director: Special Projects has since been acting in this post.		
<u>Corporate Services</u>		
Annual remuneration	768 016	548 602
Car allowance	96 000	72 000
Medical and pension funds	27 729	17 166
Total	891 745	637 768
The previous Executive Director of Corporate Services retired on the 30 September 2010. The post was vacant for a period of twelve months and was subsequently filled on the 01 October 2011.		
<u>Municipal Services</u>		
Annual remuneration	903 194	762 749
Car allowance	95 849	97 306
Medical and pension funds	24 636	21 964
Total	1 023 679	882 019
<u>Corporate Governance</u>		
Annual remuneration	736 023	46 148
Car allowance	131 184	10 909
Medical and pension funds	219 750	14 940
Total	1 086 957	71 997

2013	2012
R	R

The Position of Executive Director of Corporate Governance was filled on the 01 June 2012.

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
24. REMUNERATION OF COUNCILLORS		
Mayor	626 841	594 281
Deputy Mayor	505 898	479 644
Speaker	556 100	548 766
Mayoral committee members	4 068 273	3 492 715
Councillors	8 193 482	7 854 817
Councillors' pension contribution	1 179 563	1 050 788
Total Councillors' Remuneration	15 130 157	14 021 010
25. FINANCE COSTS		
Non-current liabilities	8 134 555	4 940 052
	8 134 555	4 940 052
26. BULK PURCHASES		
Electricity	361 429 928	310 409 210
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom and Nersa approved a 13.5% tariff hike in favour of Eskom.		
27. 27.1 GENERAL EXPENSES		
Included in general expenses is the following: -		
CONTINUED OPERATIONS		
Free basic services - Refuse	11 112 445	10 126 630
Dump charges	9 895 502	9 709 277
Replacement of faulty meters	332 583	24 650
Indigent support - parks and gardens department	7 765 385	6 213 170
Indigent support - waste management department	2 269 870	2 161 176
Security services	4 562 034	4 911 134
Shark control expenditure	2 495 162	2 474 541
Call out to consumer complaints	6 840 278	5 195 784
Life saving Africa	-	361 822
Grant expenditure	150 719	13 563
Legal costs	3 320 750	2 995 413
Marketing	11 790	1 151 810
Audit fee - external audit	3 420 824	2 667 495
Bank charges	1 956 119	1 992 881
Insurance general	3 148 814	3 338 283
Refuse bags/contract	1 393 280	1 504 076
Free basic services - Electricity	7 620 635	8 568 998
Valuations & valuation rolls	1 259 122	1 139 747
Processing of fines	2 084 011	1 964 001
Subsidies - selling schemes	94 191	139 421
Lease - Office Machines & Equipment	315 849	353 167
Rent of Property / Offices / House	685 101	565 936
Revenue protection services	3 315 540	25 408
Ward Committee members	2 564 000	2 861 000
Mr Price Pro expenditure	2 222 803	2 020 371
Advertising	1 935 428	1 332 935
Printing, Stationery & postage	3 143 558	2 747 942
Subscriptions	1 610 932	807 032
Water & Sanitation	1 764 751	1 379 933
Sundry Oils & Fuels	4 779 125	3 898 623
Street lighting consumption	2 738 457	1 038 036
Staff & councillor training costs and bursaries	3 402 681	2 100 439
Travelling & subsistence	1 418 016	763 819
Telephone calls / rentals	3 872 859	3 625 759
Protective clothing	2 380 067	1 162 922
Shakaville landfill site expenditure	998 043	597 138
Sports development	608 896	395 678
Non standard service connection	890 730	835 787
Software support & licences and agreements	1 751 254	785 571
Other general expenses	17 246 791	16 890 466
TOTAL: CONTINUED SERVICES	127 378 394	110 841 833
DISCONTINUED OPERATIONS		
Provincial Health Services - Clinics	189 705	1 292 488
TOTAL GENERAL EXPENSES	127 568 099	112 134 321

2013
R

2012
R

27.2 CONTRACTED SERVICES

Refuse removal	15 219 642	14 559 917
Grass cutting	4 320 332	3 851 205
Financial, assets and new GRAP standards support	1 262 133	1 812 959
Financial and Performance management (PMS) support	436 686	-
Project management fees and concept plan	250 000	313 241
Professional fees - disciplinary enquiry	231 717	-
Survey and facilitation fees for roads and housing projects	235 500	541 178
Advertising	147 253	-
Credit rating	90 000	80 000
Other	1 228	97 002
	22 194 492	21 255 502

27.3 Transfer made: MIG funding paid to Ilembe District Municipality

The Minister of Finance has allocated funds via the National MIG Unit and which funds have been allocated to KwaDukuza Municipality. The KwaDukuza Municipality by way of a Special Council Resolution on 26 July 2012, agreed to fund bulk infrastructure for water and sanitation via the said MIG allocation to enable Ilembe District Municipality to supply the relevant bulk infrastructure water and sanitation to various housing projects being undertaken by KwaDukuza Municipality. KwaDukuza Municipality has allocated an amount of R16 million from their MIG Grant funding for the 2012/2013 financial year for this project. R17 600 678 has been transferred to Ilembe District Municipality in the 2012/2013 financial year of which R1 600 678 transferred in advance and to be offset against the 2013/12014 allocation transfer.

28. OTHER INCOME

Included in other income is the following: -

CONTINUED OPERATIONS

Contributions demand based	12 892 259	8 162 392
Building plan fees	3 987 761	3 205 942
Sundries	546 603	10 313 331
Electricity availability	1 821 285	1 710 421
Non standard service connection	638 355	712 344
Disconnection / reconnection fees	920 130	675 442
Roads master plan	173 835	131 710
Sale of redundant stock	585 750	220 978
Sale of electricity street lights for housing estates	4 447 804	1 260 985
Proceeds from insurance	1 908 088	5 822 300
Bid / Tender documents	1 042 930	285 600
Tampering fees	713 000	222 056
Electrical call out fees	642 467	80 362
Rates certificates	507 922	646 979
Admin charges	1 069 564	834 269
Library subsidy	1 281 000	1 220 200
Burial fees	407 634	363 833
Other income	7 011 377	8 319 452

TOTAL: CONTINUED SERVICES	40 992 210	44 188 595
----------------------------------	-------------------	-------------------

DISCONTINUED OPERATIONS

Provincial Health Services - Clinics	1 391	11 346
--------------------------------------	-------	--------

TOTAL GENERAL EXPENSES	40 993 602	44 199 941
-------------------------------	-------------------	-------------------

	2013 R	2012 R
29. UNAUTHORIZED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
29.1 Irregular Expenditure:		
Opening Balance	21,607,792	4 851 379
Goods and/or services not procured through competitive bidding processes. This matter is to be reported to Council, the MEC & the Auditor General	521 233	6 124 175
Irregular expenditure / copies of contracts could not be located and made available to audit	-	5 197 408
Supply Chain Management Regulation 22 - contracts exceeding R10m advertised for less than 30 days (Contract advertised for 16 days in compliance with CIDB regulations and guidelines for Accounting Officers. This is in conflict with SCM regulations requiring a minimum of 30 days.)		
Section 36 approvals subsequently reclassified as irregular expenditure	1 278 827	5 434 831
Condoned by Council	(22 886 619)	
Closing Balance	<u><u>521 233</u></u>	<u><u>21 607 792</u></u>
29.2 Fruitless and Wasteful Expenditure:		
Opening Balance		-
The following expenditure is deemed to be fruitless and wasteful and the provisions of Sections 32(2) will be complied with in due course:		
B P B Sindi Construction: Capital and Interest - 2011		1 846 196
Payment for Ethafeni Housing Project for R1 010 540.71 was made as bridging finance until such refund will be claimed from the erstwhile Department of Housing. It is a further resolution of Council that should the Department of Housing not pay the amount claimed, or underpay the amount claimed, the Executive Director: EDP source internal funding to liquidate the debt. The effective date of the said payment was 16 February 2007 and to date no refund has been received whilst accumulating interest.		
Subject to an investigation in terms of Section 32 of the MFMA, recoverability and possible criminal or disciplinary steps will be determined.		
Khayelihle Projects: Capital and Interest - 2011		1 835 112
Settlement was reached after a provisional sentence summons was issued in favour of Advidata Trading 459 CC Trading as Khayelihle Projects as the plaintiff by the High Court in KwaZulu Natal. The dispute related to contractual obligations of low cost housing foundations and VIP toilet pits. The Capital portion of the payment was R1 782 065.05.		
Subject to an investigation in terms of Section 32 of the MFMA, recoverability and possible criminal or disciplinary steps will be determined.		
Dematrans Logistics - 2012		26 750
Payment was made to Dematrans Logistics, although the service was not rendered		
Subject to an investigation in terms of Section 32 of the MFMA, recoverability and possible criminal or disciplinary steps will be determined.		
The above fruitless and wasteful expenditure is disclosed as part of Receivables from Non-Exchange Transactions and have been fully impaired subject to the outcomes of Section 32 of the MFMA.		
Closing Balance		<u><u>3 708 058</u></u>

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
30. CASH GENERATED BY OPERATIONS		
Surplus for the year	122 389 891	97 391 069
Adjustment for: -		
Amortisation: Intangible assets	2 515 404	1 063 738
Depreciation: Property, Plant and equipment	33 827 520	44 924 563
Impairment loss	5 705 346	-
Scrapping loss	-	-
Gain on disposal of asset	-	-
Previous years operating transactions	-	(58 595)
Loss on disposal of property, plant and equipment	4 520 511	2 003 908
Contribution to provisions - non-current	3 301 592	1 739 589
Assets not previously recognised	(4 222 087)	(2 439 562)
Assets donated	(18 428 975)	-
Subsidy released from Economic Housing Subsidy	94 191	139 421
Contribution to retirement benefit obligation	3 982 436	13 224 571
Contribution to long service award benefits	1 726 995	1 802 365
Increase / (Release from) allowance for impairment	(131 367)	2 028 719
Bad debts written-off	2 681 558	428 883
Fair value adjustment : Investment properties	(1 445 000)	3 025 690
Dolphin Coast TLC bank account now recognised	(297 823)	-
Investment income	(21 098 672)	(15 922 541)
Provision for future Housing discounts utilized	(367 652)	(600 312)
Finance costs	8 134 555	4 940 052
Operating surplus before working capital changes:	142 888 422	153 691 559
(Increase)/decrease in inventories	(338 349)	656 512
(Increase)/decrease in exchange receivables	(9 427 270)	(15 529 159)
(Increase)/decrease in non-exchange receivables	(2 349 751)	(6 577 102)
Increase/(decrease) in conditional grants and receipts	29 623 006	684 301
Increase/(decrease) in Trade and Other Payables	(1 184 400)	30 686 249
Decrease in short term portion of long term receivables	-	(3 959)
(Increase)/decrease in VAT receivable	8 241 658	(11 165 553)
Cash generated by operations	167 453 316	152 442 846
31. CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:		
Bank balances and cash	135 816 267	102 367 793
Call investment deposits	393 130 942	300 975 332
Total cash and cash equivalents at the end of the year	528 947 208	403 343 124
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
<u>32.1 Contributions to organised local government</u>		
Opening balance	-	-
Council subscriptions	1 609 944	791 788
Amount paid - current year	(1 609 944)	(791 788)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-
<u>32.2 Audit fees</u>		
Opening balance	-	28 248
Current year audit fee	3 422 655	3 038 644
Amount paid - current year	(3 422 655)	(3 038 644)
Amount paid - previous years	-	(28 248)
Balance unpaid (included in creditors)	-	-
<u>32.3 VAT</u>		
Vat received for the year	21 158 761	7 410 296
VAT paid for the year	(5 886 626)	(2 711 150)

VAT inputs receivables and VAT outputs payable are shown in note 9. All VAT returns have been submitted by the due date throughout the year.

	2013 R	2012 R
32. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)		
<u>32.4 PAYE and UIF</u>		
Opening balance	27 933 132	25 697 850
Current year payroll deductions	(27 933 132)	(25 697 850)
Amount paid - current year		
Amount paid - previous years	<u>-</u>	<u>-</u>
Balance unpaid (included in creditors)		
<u>32.5 Pension and Medical Aid Deductions</u>		
Opening balance	46 812 154	39 330 740
Current year payroll deductions and Council Contribution	(46 812 154)	(39 330 740)
Amount paid - current year		
Amount paid - previous years	<u>-</u>	<u>-</u>
Balance unpaid (included in creditors)		
<u>32.6 Councillor's arrear consumer accounts</u>		
In terms of S124 (1) (b) the following particulars are disclosed in respect of any arrears owed by individual councillors during the financial year:		
<i>Councillor: S Anamaly</i>		
Nature of Arrears;	Rates & Services	
Arrears during the year (Highest):	21 731	
Arrears as at 30 June 2013	11 633	
Oldest ageing as at 30 June 2013	270 days	
<i>Councillor: S Anamaly</i>		
Nature of Arrears;	Rates & Services	
Arrears during the year (Highest):	13 265	
Arrears as at 30 June 2013	2 400	
Oldest ageing as at 30 June 2013	180 days	
<i>Councillor: G Z Mngomezulu</i>		
Nature of Arrears;	Services	
Arrears during the year (Highest):	1 800	
Arrears as at 30 June 2013	548	
Oldest ageing as at 30 June 2013	150 days	
<i>Councillor: T Ntuli</i>		
Nature of Arrears;	Services	
Arrears during the year (Highest):	2 577	
Arrears as at 30 June 2013	-	
Oldest ageing as at 30 June 2013	0 days	
<i>Councillor: M S Sing</i>		
Nature of Arrears;	Rates & Services	
Arrears during the year (Highest):	1 759	
Arrears as at 30 June 2013	-	
Oldest ageing as at 30 June 2013	0 days	

2013
R

2012
R

**ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE
MANAGEMENT ACT (Continued)**

32.7 Supply chain management deviations

Mr Price Pro Surfing Contest	48 000	217 400
Storm Damage	-	40 000
General contracts	812 513	167 368
Electrical contracts	2 535 099	2 438 340
Civil contracts	-	994 329
Roads	-	7 187 298
Strike related expenditure	-	935 902
General Disasters	101 563	-
Prepaid vending units	147 269	-
Traffic officers course	706 536	-
Infrastructure Assets - verification & conditional assesment	394 349	-
Development programme for council and executive leadership	588 000	-
Three city conference	330 920	-
	5 664 249	11 980 637
Section 36 deviations transferred to Irregular Expenditure	1,278,827	5,434,831

32.8 Material losses incurred

Electricity Distribution Losses

Technical Losses	40 516 293	34 892 089
Non Technical Losses	5 606 028	14 115 436
Technical and non technical electricity distribution losses	46 122 321	49 007 525

Percentage energy losses 12.61% 15.49%

Non technical losses are generally the result of, but not limited to, theft of electricity by means of illegal connections and unbilled consumers . Council is maintaining an aggressive revenue protection plan which reduces the number of illegal connections. Internal controls are in place and are being maintained which minimises the risk of unbilled consumers. No disciplinary action will be taken as the losses incurred are not due to negligence.

33. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted for:	154 770 240	68 170 698
Infrastructure	151 721 359	46 732 513
Community	3 048 881	11 109 185
Intangible	-	10 329 000
- Approved but not yet contracted for:	359 738 957	376 245 553
Infrastructure	266 268 527	297 121 691
Community	93 470 430	79 123 862
Intangible		
Total	514 509 197	444 416 251

This expenditure will be financed as follows:

Grant funded	89 345 022	91 874 002
Council funded	217 343 362	158 975 822
External Loans	207 820 813	193 566 427
	514 509 197	444 416 251

	2013 R	2012 R
34. CONTINGENT LIABILITIES		
34.1 Reimbursement of capital costs of bulk supply to developers	172 100 799	172 100 779
34.2 Iliso Consulting is suing the municipality for breach of contract and for professional fees for the Groutville Priority one housing project. They claim that they were appointed by Prop 5 Consultants who were project managers for Council. Council did not mandate Prop 5 to appoint these consultants.	-	233 510
Current Status: There has been no movement in this this matter since March 2009 and it may be that the Plaintiff has lost enthusiasm for continued litigation.		
34.3 Staff dispute in progress	-	411 751
Current Status: Labour court ruled in favour of applicant		
34.4 Municipality is being sued arising out of a minor child sustaining injuries allegedly after being electrocuted when she touched a light pole in Hulett Street	100 000	100 000
34.5 The labour court upheld a wage curve agreement between the collective bargaining parties i.e.) SALGA, SAMWU AND IMATU, signed in April 2010, dealing with different categories of municipalities. Under the agreement, some workers would receive back pay from September 2009. SALGA has however filed leave to appeal the court decision. Should the court rule in favour of the Union, it is estimated that the possible further payroll costs of R15 395 127 will have to be borne by the municipality.	15 395 127	7 000 000
34.6 Costs of Leave to Appeal against the judgement of Judge Pillay in the matter between the Body Corporate of Dolphin Cove and Kwadukuza Municipality relating to the Removal of a Promenade and relocation of fencing.	-	350 000
Current status: settlement accepted by EXCO. Municipality is awaiting finalisation of settlement offer and the commencement of building works to commence in June 2013.		
34.7 Nyathi Sugar Ridge CCis suing the municipality due to losses incurred by a damaged electrical pole setting alight the sugar cane.	188 667	-
34.8 Municipality is being sued by S Govender pertaining to a collision involving a vehicle owned by the Municipality	49 000	-
34.9 Municipality is being sued by Body Corporate Chakas Place for the removal of public toilets that are in front of the applicants building	150 000	-
34.10 Claim against the municipality for tyre damage	12 500	-
	187 996 093	180 196 040

	2013 R	2012 R
36. CORRECTION OF ERROR		
The comparatives for 2011/12 have been restated in respect of the following errors:		
36.1 Errors for accounting for Property, Plant and Equipment (Note 10)		
Property Plant & Equipment as previously reported		744 620 747
Adjustments to assets as per restated Note 10 2012		2 375 250
Restated balance as at 30 June 2012		746 995 995
36.2 Restatement of Intangible Assets (Note 11)		
Intangible Assets as previously reported		24 711 858
Correction of prior year Intangible assets as per restated Note 11		(3 721 404)
Restated balance as at 30 June 2012		20 990 454
36.3 Restatement of non-exchange receivables (Note 17)		
Non - exchange receivables as previously reported		26 736 985
Adjustments to Rates Revenue 2011/12 in respect of Valuation Appeals		(76 927)
Adjustments to Rates Revenue prior to 2011/12 in respect of Valuation Appeals		203 876
Restated balance as at 30 June 2012		26 863 933
36.4 Restatement of Trade & other payables (Note 7)		
Trade & other payables as previously reported		153 501 769
Adjustment to sundry deposits previously recognised as revenue		48 521
Adjustment to electricity developers refund liability - SLA's		262 674
Labour court ruling on staff member		426 235
Restated balance as at 30 June 2012		154 239 199

2013
R

2012
R

36.5 Restatement of Cash and Cash Equivalents (Note 19)

Cash and cash equivalents as previously reported	102 062 723
Erstwhile Dolphin Coast TLC bank account not previously recognised	297 823
Interest earned 2011/12.	7 247

Restated balance as at 30 June 2012

102 367 792

36.6 Restatement of Unspent Conditional Government Grants & receipts (Note 8)

Conditional Grants & receipts as previously reported	28 492 021
Transfer from Thusong Centre to Multi Purpose Centre (MPCC) - Note 22.23	(162 719)
Transfer from Multi Purpose Centre (MPCC) to Thusong Centre - Note 22.24	162 719
Adjustment to MPCC conditions met - refer to Note 22.24	14 792

Restated balance as at 30 June 2012

28 506 813

36.7 Restatement of Surplus for the year

Surplus for the year as previously stated	99 278 311
Other income:	
Adjustment to sundry deposits previously recognised as revenue	(48 521)
Employee related costs:	
Labour court ruling on staff member	(163 764)
General expenses:	
Adjustment to electricity developers refund liability - SLA's	(262 674)
Adjustment to assets - administrative costs capitalised	(2 424 965)
Interest earned investments	7 247
Property rates:	
Adjustments to Rates Revenue prior to 2011/12 in respect of Valuation Appeals	(76 927)
Adjustment to MPCC conditions met - refer to Note 22.24	(14 792)
Depreciation	
Adjustment to assets	997 624
Repairs and maintenance	(13 246)
Amortisation	
Adjustment to intangible assets	9 727
Loss on disposal of assets	
Adjustment to assets	103 052

Restated balance as at 30 June 2012

97 391 069

37. EVENTS AFTER THE REPORTING DATE

NATIONAL ENERGY REGULATOR OF SOUTH AFRICA

NERSA approved a 13.50% increase in Eskom bulk purchase tariffs which will have a significant effect on future revenues and expenditure.

2013
R

2012
R

38

EXPLANATION OF VARIANCES DISCLOSED IN THE BUDGET STATEMENT

Variance (1) between Original and Final Budget:

38.1 Property Rates

Penalties and collection charges were increased from R6.2 million to R10.5 million. Penalties and collection charges are linked to debt collection which falls within the Credit Control Section. There are unresolved queries with regards to rates accounts with huge balances. Examples: SANRAL National Road rates account under dispute due the method of valuation that was adopted, Ballito Bay Mall, uShaka Mall, a few Prince's Grant accounts, RSA accounts and estate matters. The assumption, when initially compiling the 2012/13 budget, was that these matters would be resolved, but remained unresolved at mid-year, hence the adjusted budget.

38.2 Service charges

Taking into account the various increases and decreases within the electricity revenue votes, it was anticipated that there will be an overall increase in revenue from service charges.

38.3 Investment Revenue

During the mid term review the investment revenue showed decline from the budgeted revenue due to the fact that internal funds of approximately R29 million were used to bridge finance loan funded capital projects in the first 3 months of the financial year. It was then anticipated that this will result in further decline and the revenues were adjusted accordingly.

38.4 Transfers recognised - operational

The decrease in the operational grants was as a result of R4 million difference in the MIG tranfer to Ilembe, R1.75 million MIG funded PMU cost being accounted for, R150 000 Sports & Recreation grant, and an increase of R32 000 for the Library Services Grant

38.5 Other own revenue

The different other revenue streams were reviewed and adjusted accordingly.

38.6 Employee Related Costs

The expenditure was reviewed and adjusted taking into account the vacant posts that were budgeted for.

38.7 Debt Impairment

Debtors were profiled for the recaluculaion of debt impairment - based on improved collections and roll out of the revenue enhancement project the debt impairment reduced by R8 597 million

38.8 Depreciation and asset Impairment

Depreciation budget adjusted by R8 597 million due to revised calculations on assets under construction which was to be release to PPE.

38.9 Finance Charges

DBSA loan drawdowns as set out in the drawdown schedule were not taken up due to the low level of capital expenditure

38.10 Other Expenditure

The expenditure was reviewed and in cosultation with directorates adjusted accordingly

38.11 Contributions recognised - Capital

Status of capital projects were reviewed during the adjustments budget process and projections indicated that not all targets will be met as at year end. The capital transfers recognised was then adjusted by R30.7 million.

Variance (2) between Fianl Budget and Actual Outcome

38.12 Property Rates

Property rates remained the same. Penalties and collection charges increased from R6.2 million to R10.5 million.

38.13 Service charges

This is as a result of anticipated demand that did not materialize mainly due to the effects of the economic conditions. The variance is also due to the internal electricity and rates charge of R6 million being netted off the Service Charges revenue and R2.7 million for street light consumption being shown as general expenses

38.14 Investment Revenue

Investment revenue has increase by R9.4 million as compared to final budget figures due to slow spending on capital projects.

38.15 Transfers recognised - operational

Certain expenditure that was funded by Government Grants did not meterialise .

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

**2013
R**

**2012
R**

38.16 Other own revenue

The further increase in collections is directly attributable to licences and permits and interest on outstanding debtors.

38.17 Employee Related Costs

During the mid-term review Council was advised to re-consider the filling of all vacant, budgeted posts as well as fast track the organizational work study project to ensure optimal and efficient staffing through-out the organization. As per discussions held with the Corporate Services directorate, the filling of vacant posts will continue but will be staggered during the current financial year.

38.18 Debt Impairment

Debtors were profiled as at 30 June 2013. Subsequent receipt testing was done and the provision for bad debts adjusted accordingly.

38.19 Depreciation and asset Impairment

Significant underspending on capital budget.

38.20 Finance Charges

The DBSA loan was not drawn down as per budgeted drawdown schedule due to slow capital spending.

38.21 Other Expenditure

Significant projects and plans that were budgeted for and were to be implemented in the third and fourth quarter, did not materialise.

38.22 Transfers recognised - Capital

Significant underspending on Municipal Infrastructure Grant (MIG)

38.23 Total capital transfers recognised

Withdrawal of the NDPG due to under expenditure. inclusion to the budget the MIG roll overs from prior financial years. New allocation during the year on Corridor funding.

38.24 Borrowings

Electrical infrastructure projects converted to be implemented in a multiyear within the MTREF. Allocation remained within the loan register.

38.25 Internally generated funds

MIG projects counter funding was shifted to a multiyear allocation due to its progress.

38.26 Total capital transfers recognised

Under-spending on the Corridor Funding grant due to its allocation being done during the financial year. under-spending on the Energy Efficiency grant from the department of Energy. Under-spending on the 2012/13 MIG allocation.

38.27 Borrowings

Low expenditure on the electrical infrastructure projects which resulted on roll over of funds across the MTREF.

38.28 Internally generated funds

Under-expenditure in the Roads and infrastructure, electrical infrastructure upgrades and municipal services. Majority of these projects are in the final stage of the SCM process and funds have been rolled over to the 2013/14 financial year.

39. RELATED PARTIES

39.1 COUNCILLOR: R SINGH

Expenditure:

General Expenses for the year	4 317 285	3 678 920
-------------------------------	-----------	-----------

Nature of transaction: The Council has entered into a contract for grass cutting with a relative of the Councillor.

Balance outstanding at year end:	Nil	Nil
----------------------------------	-----	-----

39.2 STAFF MEMBER: G GIBBON

Expenditure:

General Expenses for the year	4 400	26 400
-------------------------------	-------	--------

Nature of transaction: The Council has entered into a rental agreement with the staff member.

Balance outstanding at year end:	Nil	Nil
----------------------------------	-----	-----

39.3 STAFF MEMBER: P NAIDOO

Expenditure:

General Expenses for the year	142 549	127 466
-------------------------------	---------	---------

Nature of transaction: The Council has entered into a contract with the father of the employee for the sale of prepaid electricity

Balance outstanding at year end:	Nil	Nil
----------------------------------	-----	-----

2013 R	2012 R
-----------	-----------

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
39.4 STAFF MEMBER: P MURUGAN		
<u>Expenditure:</u>		
General Expenses for the year	681 866	351 392
Nature of transaction: The brother of the employee provides pest control services to the municipality		
Balance outstanding at year end:	Nil	Nil
39.5 COUNCILLOR: B B SINGH		
<u>Expenditure:</u>		
General Expenses for the year	-	193 956
Nature of transaction: The spouse of the councillor owns a travel agency. Council conducts business with this CC.		
Balance outstanding at year end:	311 264	Nil
39.6 Ilembe District Municipality		
Unspent Grant at beginning of the year	818 927	887 193
Grant received	313 849	473 534
Expenditure included in the statement of financial performance		
Conditions met and transferred to revenue	(309 772)	(541 800)
Unspent Grant at end of the year (refer to note 8)	823 004	818 927
Nature of transaction: Ilembe District Municipality receives a grant for Shared Services pertaining to town planning. KwaDukuza Municipality's obligation is limited to the grant transfer made to KwaDukuza from Ilembe District Municipality		
Total value of related parties	5 455 872	4 378 134
Payments of remuneration to senior managers and councillors - details of payments are set out in Notes 23 & 24		
40. LEASES		
OPERATING LEASES		
The future minimum lease payments receivable under operating leases for the actual receivables are as follows:		
No later than 1 year	505 440	481 372
Later than 1 year and no later than 5 years	2 287 437	2 178 512
Later than 5 years	6 159 979	6 774 345
	8 952 856	9 434 230
Salient leases		
The municipality has entered into a non-cancellable lease with a private contractor to operate the Dolphin Caravan park. The lease runs for a period of 25 years, starting 1 July 2001. Real rental income escalates at 5% per annum.		
FINANCE LEASES		
Amounts payable under finance leases:		
Finance lease liability - Minimum lease payments		
No later than 1 year	439 930	522 511
Later than 1 year and no later than 5 years	234 151	624 108
Later than 5 years	-	-
Future Finance charges on finance leases	(71 150)	(168 822)
Present Value of finance lease liability	602 931	977 797
Present Value of Minimum Lease Obligations		
No later than 1 year	370 633	415 227
Later than 1 year and no later than 5 years	219 197	562 570
Later than 5 years	-	-
	589 830	977 797
Finance Lease Liabilities relates to Furniture and Fittings with lease terms of 3 to 5 years. The effective interest rate on Finance Leases is between 13,50% and 19.00%. Capitalised Lease Liabilities are secured over the items of vehicles and equipment leased.		
The municipality does not have an option to purchase the leased Property, Plant and Equipment at the conclusion of the lease agreements. The municipality's obligations under Finance Leases are secured by the lessors' title to the leased assets.		

**KWADUKUZA MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013**

	2013 R	2012 R
41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term liabilities - facilities granted	92 783 439	67 721 034
Used to finance property, plant and equipment - at cost	92 783 439	67 721 034
Undrawn facilities	-	-
DBSA R255 185 427 loan	207 279 455	255 185 427
ABSA R21 544 000 loan	11 366 923	11 024 742
	218 646 378	266 210 169
Facilities Granted / Not yet utilized	218 646 378	266 210 169
42 ANALYSIS OF THE RESULT OF DISCONTINUED OPERATIONS		
Revenue	1 391	3 869 843
Expenditure	2 393 999	9 270 759
Loss attributable to discontinued services	2 392 607	5 400 916
43 ANALYSIS OF THE CASH FLOW OF DISCONTINUED OPERATIONS		
Operating cash flows	(2 392 607)	(6 605 916)
Investing cash flows	-	-
Financing cash flows	-	-
	(2 392 607)	(6 605 916)
44 CHANGE OF COMPARATIVES IN THE STATEMENT OF FINANCIAL PERFORMANCE AS A RESULT OF DISCONTINUED OPERATIONS		
REVENUE		
Government grants and subsidies		
- As previously reported		97 801 522
- Discontinued services (refer to note 22)		3 858 497
- Restatement of Government grants and subsidies 2012		93 943 025
Other Income		
- As previously reported		44 248 462
- Discontinued services (refer to note 28)		11 346
- Restatement of Other Income 2012		44 237 116
EXPENDITURE		
Employee related costs		
- As previously reported		178 976 108
- Discontinued services (refer to note 23)		7 180 327
- Restatement of Employee related costs 2012		171 795 782
Depreciation		
- As previously reported		45 923 538
- Discontinued services (refer to note 10)		480 071
- Restatement of Depreciation 2012		45 443 467
Repairs and maintenance		
- As previously reported		54 347 332
- Discontinued services		361 896
- Restatement of repairs and maintenance 2012		53 985 436
General expenses		
- As previously reported		109 445 331
- Discontinued services (refer to note 27)		1 292 488
- Restatement of General expenses 2012		108 152 843
Retirement and long services benefits		
- As previously reported		15 026 936
- Discontinued services (refer to note 4)		(44 023)
- Restatement of retirement and long service benefits 2012		15 070 959

45. FINANCIAL RISK MANAGEMENT

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities.

The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk.

The use of financial derivatives is governed by the municipality's policies approved by the Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

45.1 *Maximum credit risk exposure*

Credit rate risk consist mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party

Except as detailed below, the carrying amount of financial assets recorded in the Annual Financial Statements, which is net of impairment losses, represents the municipality's maximum exposure to credit risk without taking account of the value of any collateral obtained:

The maximum credit exposure in respect of the relevent financial instruments is as follows (domestic exposure only)

	2013 R	2012 R
Investments	-	-
Cash and Cash Equivalents	528,947,208	403,038,055
interest rate swaps	-	-
Financial guarantees	-	-
Trade and other receivables	85,583,081	75,466,238
Maximum Credit Exposure	614,530,289	478,504,293

45.2 *Liquidity risk*

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows.

2013	1 month or less	1-3 months or less
Gross finance lease obligations	41,606	83,109
Long Term Borrowings	263,873	3,542,782
Trade and other payables	153,054,798	-
Other	-	-
2013	3-12 months or less	1-5 years
Gross finance lease obligations	315,111	219,856
Long Term Borrowings	15,328,700	137,359,578
Trade and other payables	-	-
Other	58,129,820	-
2012	1 month or less	1-3 months or less
Gross finance lease obligations	40,481	91,169
Long Term Borrowings	263,873	3,631,558
Trade and other payables	154,239,199	-
Other	-	-
2012	3-12 months or less	1-5 years
Gross finance lease obligations	392,700	664,081
Long Term Borrowings	14,065,325	156,494,933
Trade and other payables	-	-
Other	28,506,814	-

45.3 *Interest rate risk*

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in the market interest rates.

At year end, financial instruments exposed to interest rate risk were as follows:

	2013 R	2012 R
Call deposits	393,130,942	300,975,332
Investment deposits	-	-
Bank balances and cash	135,816,267	102,367,793
Maximum Interest exposure	528,947,208	403,343,124

45.4 *Other price risk*

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments

KWADUKUZA MUNICIPALITY
APPENDIX A: SCHEDULE OF EXTERNAL LOANS FOR THE YEAR ENDED 30 JUNE 2013

DESCRIPTION	Loan Number	Interest Rate	Date Repayable	Balance at 30/06/2012	Received during the year	Redeemed / Adjustments / (Interest Capitalised) during this period	Balance at 30/06/2013
		%		R	R	R	R
Non Annuity Loans							
INCA	KWAD00-0005	9.09%	31/05/2015	3 757 364	-	1 178 137	2 579 227
INCA	KWAD00-0006	9.02%	31/05/2015	4 439 308	-	1 348 960	3 090 348
ABSA (R 3,1 mil)	30-3123-2295	8.73%	01/06/2020	2 677 826	-	245 491	2 432 335
ABSA (R 0,9 mil)	30-3124-5686	8.23%	01/06/2015	585 239	-	135,135	450 104
ABSA (R 21.544 mil)	30-3593-5306	7.96%	30/06/2017	21 544 000	-	3,618,519	17 925 481
DBSA (R43 mil)	101276	8.57%	30/09/2025	29 162 634	-	2 083 045	27 079 589
DBSA (R28.9 mil)	61006918/19	9.73%	30/09/2030	-	28,956,732	253 390	28 703 342
DBSA (R5.888 mil)	61006918/19	9.73%	31/12/2032	-	5,888,357	119 513	5 768 844
Total Non Annuity Loans				62 166 370	34 845 089	8 982 191	88 029 268
Annuity Loans							
DBSA	10580/204	12.00%	30/09/2017	343 829	-	47 289	296 540
DBSA	11165/102	15.75%	30/09/2017	4 314 486	-	542 060	3 772 426
DBSA	13527/103	16.50%	30/09/2014	284 494	-	100 459	184 035
DBSA	11577/102	13.45%	30/12/2014	3 615	-	1 689	1 925
DBSA	9879/102	12.00%	30/06/2016	608 241	-	108 996	499 245
Total Annuity Loans				5 554 664	-	800 493	4 754 170
TOTAL EXTERNAL LOANS (KWADUKUZA MUNICIPALITY)				67 721 034	34 845 089	9 782 684	92 783 439

	COST /REVALUATION								ACCUMULATED DEPRECIATION					
	Opening Balance	Additions	Under Construction	Assets fair valued	Assets Donated	Disposals	Transfers		Restated Opening Balance	Additions	Disposals	Impairment	Closing Balance	Carrying Value
Other Assets	11,795	-	-	-	-	-11,795	-	-	-9,275	-484	9,759	-	-	-
Infrastructure Roads	238,639,360	24,305,861	-	-	-	-	-	262,945,221	-105,974,345	-6,698,145	-	-4,050,983	-116,723,473	146,221,748
Buildings	91,103,154	19,995,883	-	-	500,000	-330,761	-10,575,000	100,693,275	-20,857,583	-4,814,813	285,478	-	-25,386,918	75,306,358
Cemetries	5,160,477	171,095	-	-	-	-	-	5,331,572	-799,105	-238,430	-	-	-1,037,536	4,294,036
Solid Waste	2,329,707	663,234	-	-	-	-45,992	-	2,946,949	-237,485	-124,610	6,427	-	-355,667	2,591,281
Housing Assets	8,052,000	-	-	-	-	-	-	8,052,000	-4,530,683	-146,610	-	-	-4,677,294	3,374,706
Stormwater Infrastructure	114,494,614	4106221	-	-	2,903,614	-	-	121,504,449	-28,699,410	-2,309,665	-	-	-31,009,075	90,495,374
Developed Land	31,599,842	3,172,607	-	-	-	-	-95,000	34,677,449	-	-	-	-	-	34,677,449
Electricity Infrastructure	375,462,192	30,378,772	-	3,997,383	14,995,438	-3,309,076	-	421,524,708	-146,609,465	-10,391,691	1,534,381	-1,635,414	-157,102,189	264,422,519
Vehicles	43,691,241	1,504,600	-	-	-	-1,837,648	-	43,358,193	-23,467,037	-3,487,173	1,021,728	-	-25,932,482	17,425,711
Leased Assets	1,565,333	40,813	-	-	-	-117,098	-	1,489,048	-592,489	-434,684	90,926	-	-936,247	552,801
Undeveloped Land	76,345,700	200,000	-	-	-	-	-	76,545,700	-	-	-	-	-	76,545,700
Assets under Construction	75,017,679	65,671,581	-	-	-	-	63,013,361	77,675,899	-	-	-	-	-	77,675,899
Furniture and Fittings	32,418,518	8,761,929	-	129,323	29,923	-8,395,055	-	32,944,638	-17,048,293	-5,181,215	6,702,462	-18,948	-15,545,994	17,398,644
	1,095,891,610	158,972,595	-	4,126,706	18,428,975	-14,047,424	52,343,361	1,189,689,101	-348,825,171	-33,827,521	9,651,162	-5,705,345	-378,706,875	810,982,226

KWADAKUZA MUNICIPALITY
APPENDIX C : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT FOR THE YEAR ENDED 30 JUNE 2013

	COST / REVALUATION				OPENING BALANCE	ADDITIONS	ACCUMULATED DEPRECIATION		CLOSING BALANCE	CARRYING VALUE
	OPENING BALANCE	ADDITIONS	DISPOSALS	CLOSING BALANCE			DISPOSALS	IMPAIRMENT		
EXECUTIVE AND COUNCIL	48 730 891	224 107	(3 161 075)	45 793 923	5 811 800	547 804	(2 591 047)		3 768 558	42 025 365
FINANCE AND ADMINISTRATION	52 632 165	3 407 333	(1 843 222)	54 196 276	10 838 472	2 472 567	(1 678 309)	18,948.00	11 651 678	42 544 598
PLANNING AND DEVELOPMENT	12 501 295	897 130	(188 094)	13 210 330	1 466 915	577 223	(124 096)		1 920 041	11 290 289
HEALTH	1 941 176	-	(1 941 176)	-	1 247 791	57 861	(1 305 652)		-	-
COMMUNITY AND SOCIAL SERVICES	36 551 691	2 758 201	(665 023)	38 644 869	7 761 353	1 855 460	(610 962)		9 005 851	29 639 018
HOUSING	692 511	19 510	(39 697)	672 323	411 524	67 840	(39 563)		439 802	232 522
PUBLIC SAFETY	35 691 560	2 854 203	(991 367)	37 554 396	16 013 542	3 237 422	(634 440)		18 616 525	18 937 871
SPORTS AND RECREATION	119 056 515	9 106 916	(124 049)	128 039 382	11 367 330	2 765 140	(78 211)		14 054 260	113 985 123
WASTE MANAGEMENT	6 829 669	624 207	(59 167)	7 394 710	3 027 044	551 636	(53 051)		3 525 629	3 869 081
ROAD TRANSPORT	405 731 497	35 491 682	(187 991)	441 035 189	146 837 876	10 628 484	(123 315)	4,050,983.00	161 394 028	279 641 161
ELECTRICITY	375 462 192	50 435 447	(2 749 936)	423 147 704	144 041 520	11 066 081	(2 412 514)	1,635,414.00	154 330 501	268 817 203
Grand Total	1 095 821 162	105 818 737	(11 950 797)	1 189 689 102	348 825 167	33 827 520	(9 651 160)	5 705 345	378 706 872	810 982 230

KWADUKUZA MUNICIPALITY

APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2013

	2012 Actual Revenue R		2012 Actual Expenditure R		2012 (Surplus)/ Deficit R				2013 Actual Revenue R		2013 Actual Expenditure R		2013 (Surplus)/ Deficit R
	(87 749 312)		82 259 460		(5 489 852)		Executive and Council		(118 889 676)		62 055 567		(56 834 110)
	(245 944 534)		24 423 840		(221 520 693)		Finance and Administration		(313 563 856)		99 919 998		(213 643 859)
	(4 165 849)		27 505 105		23 339 256		Planning and Development		(5 098 522)		26 475 057		21 376 535
	(5 308 516)		11 493 662		6 185 146		Health		(3 028)		5 496 772		5 493 744
	(2 054 918)		15 063 280		13 008 362		Community and Social Services		(2 931 992)		16 389 899		13 457 908
	(584 246)		6 133 684		5 549 438		Housing		(692 448)		5 355 801		4 663 353
	(4 702 442)		54 447 547		49 745 104		Public Safety		(6 499 455)		65 924 527		59 425 071
	(1 539 409)		55 468 771		53 929 362		Sports and Recreation		(597 204)		63 452 821		62 855 616
	(48 956 256)		49 525 128		568 871		Waste Management		(43 045 160)		54 222 799		11 177 639
	(8 236 319)		47 902 576		39 666 258		Road Transport		(24 854 541)		69 154 021		44 299 479
	(432 518 840)		405 101 232		(27 417 607)		Electricity		(456 466 320)		412 751 760		(43 714 560)
	(841 760 641)		779 324 287		(62 436 354)		Sub Total		(972 642 203)		881 199 021		(91 443 182)
	-		(36 841 955)		(36 841 955)		Less: Inter-Departmental		-		(30 946 709)		(30 946 709)
	(841 760 641)		742 482 331		(99 278 310)		Total		(972 642 203)		850 252 312		(122 389 890)

KWADUKUZA MUNICIPALITY
APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2013

	Actual 2013	Budget 2013	Variance 2013	Variance 2013	Explanations of significant Variance greater than 5% versus budget
	R	R	R	%	
REVENUE					
Revenue from non-exchange transactions					
Property rates	(236,380,463)	(233,999,473)	(2,380,990)	1.02%	n/a
Property rates - penalties imposed and collection charges	(10,744,404)	(10,500,000)	(244,404)	2.33%	n/a
					There are unresolved queries with regards to rates accounts with huge balances. Examples: SANRAL National Road rates account under dispute due the method of valuation that was adopted, Ballito Bay Mall, uShaka Mall, a few Prince's Grant
Fines	(5,886,814)	(3,613,700)	(2,273,114)	62.90%	accounts, RSA accounts and estate matters
Government grants and subsidies	(115,362,902)	(96,220,307)	(19,142,595)	19.89%	Underspending on capital budget
Licences and permits	(8,578,335)	(7,966,200)	(612,135)	7.68%	more licences and permits issued as previously anticipated
Public donations - Property, plant and equipment	(18,428,975)	-	(18,428,975)	100.00%	Council unaware of donations during the budget preparation period - therefore this was not budgeted for
Revenue from exchange transactions					
Service charges	(509,938,841)	(530,614,458)	20,675,617	-3.90%	n/a
Rental of facilities and equipment	(1,056,156)	(1,014,192)	(41,964)	4.14%	n/a
Interest earned investments	(21,098,672)	(13,999,345)	(7,099,327)	50.71%	Underspending on the capital budget
Interest earned outstanding debtors	(2,729,431)	(2,700,000)	(29,431)	1.09%	n/a
Other income	(40,992,210)	(36,309,325)	(4,682,885)	12.90%	General increase in other income streams
Gain on disposal of property, plant and equipment	-	-	-		n/a
Retirement and long services benefits	-	-	-		n/a
Revaluation of investment properties	(1,445,000)	-	(1,445,000)	100.00%	Did not budget for as a loss on valuation was experienced in the prior year
Total Revenue	(972,642,203)	(936,937,000)	(35,705,203)	3.81%	
EXPENDITURE					
Executive and Council	62 055 567	67,150,000	(5,094,433)	-7.59%	General underspending by department - refer to budget statement
Finance and Administration	99 919 998	88,306,715	11,613,283	13.15%	refer budget statement
Planning and Development	26 475 057	32,715,000	(6,239,943)	-19.07%	General underspending by department - refer to budget statement
Health	5 496 772	8,216,000	(2,719,228)	-33.10%	General underspending by department - refer to budget statement
Community and Social Services	16 389 899	20,064,000	(3,674,101)	-18.31%	General underspending by department - refer to budget statement
Housing	5 355 801	5,747,000	(391,199)	-6.81%	General underspending by department - refer to budget statement
Public Safety	65 924 527	72,030,000	(6,105,473)	-8.48%	General underspending by department - refer to budget statement
Sports and Recreation	63 452 821	58,059,000	5,393,821	9.29%	refer budget statement
Waste Management	54 222 799	59,321,000	(5,098,201)	-8.59%	General underspending by department - refer to budget statement
Road Transport	69 154 021	71,672,000	(2,517,979)	-3.51%	General underspending by department - refer to budget statement
Electricity	412 751 761	482,106,000	(69,354,239)	-14.39%	General underspending by department - refer to budget statement
Inter- departmental charges	(30,946,709)	(28,473,715)	(2,472,994)	8.69%	General underspending by department - refer to budget statement
Total Expenditure	850,252,313	936,913,000	(86,660,687)	-7.10%	
SURPLUS FOR THE YEAR	(122,389,890)	(24,000)	(122,365,890)		

KWADAKUZA MUNICIPALITY
APPENDIX E(2) : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2013

	2013	2013	2013	2013	2013	2013	Explanation of Significant Variances Greater than 5% versus Budget
	Actual R	Under Construction R	Total Additions R	Budget R	Variance R	Variance %	
EXECUTIVE AND COUNCIL	224 107	-	224 107	4 098 500	3 874 393	95%	Under spending on NDPG funded protect due to holding of funds.
FINANCE & ADMIN	3 407 333	-	3 407 333	8 026 500	4 619 167	58%	Under-spending due to a delay on procurement of the staff attendance system. A delay on construction of the wall of victims of violence. Delay on procurement of fleet due to the scm process.
PLANNING & DEVELOPMENT	897 130		897 130	1 157 000	259 870	22%	under-spending on various items including procurement of council chamber furniture and street renaming project.
COMMUNITY & SOCIAL SERVICES	2 397 587	14 882 476	17 280 063	31 618 496	14 338 433	45%	Fleet procurement due to the scm process in the Waste Department. Under spending in the upgrade to the KwaDukuza Museum. Slow expending on MIG community halls and sports fields.
PUBLIC SAFETY	2 913 378	3 720 619	6 633 997	8 619 872	1 985 875	23%	A delay on procurement of a water tanker in the Fire Department due to non compliance of bidders in the scm process. A delay on implementation of the Testing Ground facility. Funds have been rolled over.
ROADS & STORM WATER DRAINAGE	5 722 793	29 768 889	35 491 682	169 915 417	134 423 735	79%	implementation of MIG projects due to the SCM process delays and insufficient funding on certain individual mig funded projects. Delay on critical areas as per the roads master plan. A delay on appointment of a contractor to the Ballito Road P445 due to insufficient funding. all these projects were rolled over to the 2013/14 financial year.
ELECTRICITY	4 912 190	17 370 046	22 282 236	91 389 916	69 107 680	76%	Delay on loan funded projects as per the Energy Master Plan. Majority of projects are in the SCM process and funds were rolled over to the outer years within the MTREF.
	20 474 518	65 742 029	86 216 547	314 825 701	228 609 154	55%	
	68 187 123	19 620 587	87 807 710	185 270 000			

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF THE MUNICIPAL FINANCE MANAGEMENT ACT, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Unspent portion 2010/2011 financial statements	Adjustments and Transfers	Quarterly Receipts				Total Receipts	Quarterly Expenditure				Total Expenditure	Unspent portion 2011/2012 financial statements	Grants and Subsidies delayed / withheld	Reason for delay withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for non-compliance
				July to Sept	Oct to Dec	Jan to Mar	April to June		July to Sept	Oct to Dec	Jan to Mar	April to June						
				1	2	3	4		1	2	3	4						
Equitable Share	National Treasury	-		27,182,000	16,601,000	15,101,000	-	58,884,000	27,182,000	16,601,000	15,101,000	-	58,884,000	-	NO	N/A	YES	N/A
MIG	DPLG	13,423,985		8,809,000	17,782,000	2,384,000	-	28,975,000	3,240,374	5,998,094	1,778,618	10,557,751	21,574,838	20,824,147	NO	N/A	YES	N/A
Provincial Health Subsidies	Provincial Health	-1,971,306		-	-	4,624,803	-	4,624,803	-	1,795,135	858,362	1,205,000	3,858,497	-1,205,000	NO	N/A	YES	N/A
DME	Dept Minerals & Energy	-		-	-	2,000,000	-	2,000,000	-	-	-	2,000,000	2,000,000	-	NO	N/A	YES	N/A
FMG	National Treasury	432,088		1,450,000	-	-	-	1,450,000	288,653	335,983	209,631	245,290	1,079,557	802,530	NO	N/A	YES	N/A
LUMS	LGTA	107,000		-	-	-	-	-	-	-	-	-	-	107,000	NO	N/A	YES	N/A
New Library	Provincial Libraries	27,790		100,000	-	-	-	100,000	25,904	29,118	26,473	28,063	109,558	18,233	NO	N/A	YES	N/A
MSIG	LGTA	989,817		790,000	-	-	-	790,000	192,059	271,800	132,212	389,978	986,050	793,767	NO	N/A	YES	N/A
MUSEUM	Office Of the Premier	-		-	125,000	-	-	125,000	-	-	-	125,000	125,000	-	NO	N/A	YES	N/A
DBSA - Capacity Building	Development Bank of South Africa	262,774		-	-	-	-	-	-	-	-	262,774	262,774	-	NO	N/A	YES	N/A
Property Rates Implementation	Ilembe District Municipality	31,986		-	-	-	-	-	-	-	-	-	-	31,986	NO	N/A	YES	N/A
DPT SPORT	Department of Sports & recreation	-		-	-	150 000	-	150,000	-	-	-	-	-	150,000	NO	N/A	YES	N/A
CBD REVITALIZATION	DPLG	4,590,120		-	-	-	-	-	-	795,551	1,315,876	2,282,066	4,393,493	196,627	NO	N/A	YES	N/A
KING SHAKA	Ilembe District Municipality	-		-	-	-	-	-	1,007,174	-	-	-	1,007,174	-	NO	N/A	YES	N/A
MAP	DPLG	2,205,358		-	-	-	-	-	-	-	-	-	-	2,205,358	NO	N/A	YES	N/A
Disaster rough seas	LGTA	-2,985,230		2,589,417	-	-	-	2,589,417	-	-	-	-	-	-395,813	NO	N/A	YES	N/A
RDP HOUSING	Department Of Housing	-39,925		-	-	-	-	-	-	-	-	-	-	-39,925	NO	N/A	YES	N/A
Ramasar Relief Fund	Ramsar Relief			-	-	-	-	-	-	30,943	-	-	30,943	-	NO	N/A	YES	N/A
HEALTH: SAPPI	HEALTH: SAPPI	24,150		-	-	-	-	-	-	-	-	24,150	24,150	-	NO	N/A	YES	N/A
iLembe Shared Services	Ilembe District Municipality	887,193		-	-	473,534	-	473,534	123,887	144,472	137,864	135,578	541,800	818,927	NO	N/A	YES	N/A
Neighbourhood Development Partnership	National Treasury	4 785 252		-	-	-	-	-	-	1 364 601	1 243 264	1 122 908	3,730,774	1,054,478	NO	N/A	YES	N/A
Training - Belgium	Private	55 000		-	-	-	-	-	-	-	55 000	-	55,000	-	NO	N/A	YES	N/A
Thusong Centre		-		500 000	-	-	-	500,000	-	-	-	162 719	162,719	337,281				
Multi Purpose Centre (MPCC)		-		665 000	-	-	-	665,000	-	-	-	13 312	13,312	651,688				
ENTEMBENI/ CHARLOTDALE PRECENT		-		-	-	500 000	-	500,000	-	-	-	-	-	500,000				
		22 826 051	-	42 085 417	34 508 000	25 233 337	-	101 826 754	32 060 052	27 366 697	20 858 301	18 554 589	98 839 639	26 851 283				

Reflected as other debtors - Note 17
Unspent grants at 30 June 2011 - Note 8

4,996,461
27,822,512

Reflected as other debtors - claims submitted awaiting settlement - Note 17
Unspent grants at 30 June 2012 - Note 8

1,640,738
28,492,021